LEGISLATIVE RESEARCH COMMISSION

STATE INVESTMENTS WITH SOUTH AFRICAN INVESTORS

REPORT TO THE
1987 GENERAL ASSEMBLY
OF NORTH CAROLINA

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STATE OF NORTH CAROLINA

LEGISLATIVE RESEARCH COMMISSION

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December 12, 1986

TO THE MEMBERS OF THE 1987 GENERAL ASSEMBLY:

The Legislative Research Commission herewtih reports to the 1987 session of the General Assembly on the matter of North Carolina's investments with South African investors. This report is prepared pursuant to G.S. 120-30.17.

This report was prepared by the Legislative Research Commission's Committee on State Investments with South African Investors and is transmitted by the Legislative Research Commission for your consideration.

Respectfully submitted,

Liston B. Ramsey

J.J. Harrington

Cochairmen

Legislative Research Commission

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I N T R O D U C T I O N

INTRODUCTION

The Legislative Research Commission, authorized by Article 6B of Chapter 120 of the General Statutes, is a general purpose study group. The Commission is cochaired by the Speaker of the House of Representatives and the President Pro Tempore of the Senate and has five additional members appointed from each house of the General Assembly. Among the Commission's duties is that of making or causing to be made, upon the direction of the General Assembly, "such studies of and investigation into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner" [G.S. 120-30.17(1)].

At the direction of the 1985 General Assembly, the Legislative Research Commission has undertaken studies of numerous subjects. These studies were grouped into broad categories and each member of the Commission was given responsibility for one category of study. The co-chairmen of the Legislative Research Commission, under the authority of General Statute 120-30.10(b) and (c), appointed committees consisting of members of the General Assembly and the public to conduct the studies. Co-chairmen, one from each house of the General Assembly, were designated for each Committee.

The study of State investments with South African investors was authorized by Section 2.1 of Chapter 790 of the 1985 Session

Laws. That act states that the Commission may consider the original bill proposing a study of these investments, House Bill 744 (1985), in determining the nature, scope, and aspects of the study. However, the scope of House Bill 744 does not limit the scope of the study committee, acting pursuant to Chapter 790(2.1).

The Legislative Research Commission grouped this study in its State Government area under the direction of Representative Christopher Barker, Jr. The Committee, whose membership is listed in Appendix A, was chaired by Senator J. Richard Conder and Representative H.M. Michaux, Jr.

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B A C K G R O U N D

BACKGROUND ON SOUTH AFRICA AND
SOUTH AFRICAN DIVESTMENT LEGISLATION

Overview: The Republic of South Africa is a country of approximately thirty million people located at the southern end of the African continent. Including the ten Bantu "homelands," South Africa covers over 470,000 square miles, roughly nine times the size of North Carolina. (See Appendix J).

The population of South Africa is divided by the South African government into four groups:

Africans (blacks)	22.0 million
Coloureds (mixed race)	2.6
Indians	.8
Whites	4.5

The Bantu homelands are land reserves where black South Africans reside. Currently, four of the ten homelands are officially recognized by the South African Government (but not by any other country) as independent, sovereign states. Residents of the homelands are not considered South African citizens.

History: The Dutch originally settled what is now the Cape Town area of South Africa in the 1600's, but the British began colonizing the area in the late 1700's. As the British and other European settlers continued to spread into areas occupied by native Africans, separate communities for whites and native Africans developed, with land reserves set aside for the Africans.

South Africa attained national autonomy in 1936. The white electorate approved a republican form of government for South

Africa in 1960, and the country officially became a republic in 1961.

Since that time, there have been periods of riots and demonstrations against apartheid (also referred to as "separate development" by the South African government). The first major protest, considered to be the beginning of violent resistance to apartheid, came in 1960 against the "pass laws," laws which required blacks to carry passports with them, enabling the government to restrict their movement into the urban areas. The government introduced even more stringent controls in response to the protests and riots.

The next major outbreak of violence, the Soweto riots, occurred in 1976 in response to the government's requirement that the Afrikaans language (rather than English, the other official languauge) be taught and used in schools. During both the 1960 and 1976 riots, a large number of blacks were killed.

Protests, demonstrations, and riots against apartheid have continued into the 1980's. The 1984 government reform that gave coloureds and asians, but not blacks, representation in the parliament touched off heavy protests, leading to more violence and deaths.

Government: South Africa is governed by a tricameral (three-house) parliament, one house each for whites, coloureds and asians. Representation among the houses is based upon

population of these ethnic groups. To date, blacks have no representation in parliament and do not vote for the members of the parliament. The four black independent homeland "states" govern themselves, although no country other than South Africa recognizes these homelands as sovereign states.

Reforms: There have been some reforms made to soften apartheid laws in South Africa during the last few years. Among the reforms that have been made include an end to the ban on interracial marriages, legalization of black residence in urban areas, legalization of black trade unions, allowing black-owned businesses to operate in urban areas, and the elimination of pass laws. However, the South African government continues to require racially-segregated facilities and to deny blacks the right to vote.

Divestment and Coporate Withdrawal: The notion of requiring or encouraging investors to divest their holdings from companies doing business in South Africa is not a new idea. The American Committee on Africa, for example, adopted a policy calling for divestment and sanctions against South Africa in the late 1950's. The purpose of divestment from companies doing business in South Africa is to exert pressure on the companies to withdraw from the country. The withdrawal of the companies is designed, in turn, to create economic pressure on the South African government that will

eventually lead the government to introduce the desired political reforms. There is disagreement and much debate whether divestment will, in fact, trigger this chain of events.

A large number of American companies have left South Africa. In 1983, there were approximately 350 American companies doing business in South Africa. Within the last two years, however, over 70 big American companies have pulled out of or announced their intention to leave South Africa. (See Appendix I regarding 1986 withdrawals). On consecutive days in October, 1986, for example, General Motors and IBM decided to sell their South African operations. General Motors, which had operated in South Africa for sixty years, had not shown profits from its South African operations since 1982. Lack of profits, political unrest and violence, dissatisfaction with the pace of government reform in South Africa, new Congressional legislation and sanctions, and uncertainty about the future in South Africa are among the reasons cited by companies for withdrawing from South Africa. According to some articles, divestment legislation enacted by numerous states and cities in the United States have also influenced corporate decisions to withdraw, although such legislation has not been the sole factor in these decisions. (Time, Nov. 3, 1986, pp. 32-34).

Many of the companies that are "withdrawing" from South Africa are actually continuing to do business there through licensing and sales arrangements. General Motors and IBM, for

example, are selling their operations to local businessmen in South Africa at very low prices, but will continue to make their goods and technology available to South Africa. Although the local businessmen who purchase the companies are usually white South Africans, some departing companies, such as Coca-Cola, have attempted to sell out to black-owned businesses. (Time, Nov. 3, 1986, p. 34).

American investment in South Africa currently amounts to approximately $1.3 billion. Employment at the approximately 270 companies still in South Africa exceeds 120,000. Only 18 of these companies employ 1,000 or more workers. American investment in South Africa represents 17% of total foreign investment in the country -- less than the investments of Britain and West Germany. (U.S. News and World Report, June 30, 1986, p. 29).

Divestment Legislation: Divestment did not become a major issue until the early 1980's. Connecticut, in 1982, enacted the first state divestment legislation targeted at companies doing business in or with the Republic of South Africa. Since that time, numerous states and cities have considered and many have enacted laws requiring the divestment of specified public funds from companies doing business in or with the Republic of South Africa. Approximately twenty states now have some form of divestment legislation or policy regarding South Africa. (See Appendix C).

Many of the states' divestment laws fall into one of the following two categories:

(a) divestment is required from those companies that have not signed the Sullivan Principles; or

(b) divestment is required from those companies that have not received desirable performance ratings under the Sullivan Principles.

The Sullivan Principles are a voluntary code of conduct that a company doing business in South Africa may choose to follow. The Principles were first established in 1976 by the Rev. Leon Sullivan of Philadelphia. The Sullivan Principles are as follows:

(1) Nonsegregation of the Races in All Eating, Comfort, Locker Rooms, and Work Facilities;

(2) Equal and fair employment practices for all employees;

(3) Equal pay for all employees doing equal or comparable work for the same period of time;

(4) Initiation and development of training programs that will prepare blacks, coloureds, and asians in substantial numbers for supervisory, administrative, clerical and technical jobs;

(5) Increasing the number of blacks, coloureds, and asians in management and supervisory positions; and

(6) Improving the quality of employees' lives outside the work environment in such areas as housing, transportation, schooling, recreation and health facilities.

Companies that have signed an agreement to abide by the

Sullivan Principles are rated on their performance in implementing the Principles. A participating company may receive one of three ratings. A "passing" rate is a rating of either I ("Making Good Progress") or II ("Making Progress"). A rating of III is failing. The divestment laws in some states require the company not only to sign the Sullivan Principles, but to also obtain one of the two passing ratings.

The ratings for each company and how they were determined are published annually in a report by the Arthur D. Little Company, and distributed by the International Council for Equality of Opportunity Principles, Inc. (See Appendix F for the Ninth report). The Tenth Report will probably be released in December, 1986).

Only a small number of American companies in South Africa have not signed the Sullivan Principles. Most of the companies that have signed are also receiving passing rates each year.

Divestment is also a big issue on college campuses nationwide. In North Carolina, several universities, amid student demonstrations, have been examining their investments in companies doing business in South Africa. Most began examining their investments even before the formation of the LRC Committee on State Infrastructure Needs began its study. Very few of the universities' boards of trustees have voted to divest their universities' holdings in companies doing business in South Africa. (See Appendix D for a survey of the divestment activities

of the constituent institutions of the University of North Carolina).

The most recent divestment action of the UNC campuses was the announcement by the Board of Trustees of the University of North Carolina at Chapel Hill that it would divest its holdings in four companies that are conducting substantial business with the South African government. The Board refused to require full divestiture.

Other State Legislation: Divestment is not the only legislative response to apartheid in South Africa. Several cities and some states have considered and enacted "procurement restrictions" whereby the state or local government purchasing agency is prohibited from procuring goods manufactured in or shipped from South Africa.

A few governments have gone even further and prohibit government purchases from any company doing business in South Africa even if the company's goods are manufactured in the United States. At the time of this report, some states were also considering approaches such as denying state corporate tax benefits to companies doing business in South Africa and in the particular state.

Federal Legislation: The most comprehensive legislation to date is the Comprehensive Anti-Apartheid Act of 1986, an act passed by

Congress. Although vetoed by the President, the House and Senate successfully overrode the veto. The Anti-Apartheid Act prohibits new investments in and loans to South Africa, denies landing rights in the United States to South African Airways, prohibits the import of certain minerals and other products from South Africa, and prohibits the export from the United States to the South African government of certain goods, such as computers and nuclear technology. The Act also establishes a mandatory "Code of Conduct," nearly identical to the Sullivan Principles, to be followed by companies doing business in South Africa with more than 25 employees. Unlike the other provisions of the Act, however, no penalty can be enforced against a company that fails to abide by the Code of Conduct. Thus, the Code of Conduct is essentially unenforceable. (See Appendices G and H).

Sources: Worldmark Encyclopedia of the Nations: Africa (1984)
NCSL State-Federal Briefs: South Africa (Sept. 1986)
Time, Aug. 4, 1986, pp. 22-23
U.S. News and World Report, May 26, 1986, pp. 25-29
Ninth Annual Report on the Sullivan Principles (1985)

COMMITTEE PROCEEDINGS

The Committee held three meetings during 1986: January 10th, April 18th, and December 1st. No meetings were held during 1985 and no interim report was issued to the 1986 session of the General Assembly.

January 10, 1986

The January 10th meeting was primarily an organizational meeting. Representative Chris Barker, the LRC member with oversight responsibility for the Committee, presented some opening remarks in which he stated his belief that divestment and the withdrawal of American business from South Africa would open the door to communism in the country and lead to an economic collapse. The Committee Counsel, Mr. Linwood Jones, then briefly spoke to the Committee about House Bill 744, the divestment bill with which the Committee would begin its work. Mr. Jones also discussed the divestment activities of the constituent institutions of the University of North Carolina. The Boards of Trustees at many of these universities had for some time been considering divestment of their endowment funds from companies doing business in South Africa. (See Appendix D).

Mr. Jones pointed out that House Bill 744 would require divestment of certain state pension funds and university trust

funds, each held and invested by the State Treasurer, from companies doing business in or with the Republic of South Africa. The divestment requirement would also apply to financial institutions with loans outstanding to the Republic of South Africa. Divestment would take place over a three-year period. Mr. Jones distinguished the university trust funds held by the State Treasurer from the university endowment funds held by the boards of trustees of the various universities. House Bill 744 does not affect the university endowment funds, although, as mentioned above, the universities' boards of trustees have been considering divestment of their funds.

Senator Conder pointed out that Wake Forest University, a private institution, had recently adopted a position paper opposing the divestment of the school's endowment funds.

In response to questions from Committee members, Mr. John Morrisey, Special Counsel to the State Treasurer, discussed an earlier memorandum (dated May 24, 1985) from the Treasurer's Office outlining the fiscal impact of divestment legislation on North Carolina's investment portfolio. The memorandum had been prepared when House Bill 744 was being discussed during the 1985 session of the General Assembly. (See Appendix E).

As of the end of the first quarter of 1985, the memo identified 61 companies doing business in or with South Africa in which the State had investments. Of these 61 companies, all but 10 had signed the Sullivan Principles. According to the memo,

divestment would involve assets equaling $734,300,000 from the equity portfolio (35% of that portfolio) and $741,758,000 from the bond portfolio (16% of the bond portfolio). The sale of these assets and the purchase of replacement assets would cost the State an estimated $14 million in brokerage charges. The memo also estimated that it would cost the State an additional $406,317,000 to replace the assets and maintain the same cash flow.

April 18, 1986

At the April 18th meeting, State Treasurer Harlan Boyles addressed the Committee, speaking in opposition to divestment of state funds from companies in the State's investment portfolio. The Treasurer's office provided the Committee with an updated version of the May 24, 1985 memo. The new memo (dated March 10, 1986) estimated that nearly $770,000,000 million in the equity portfolio and $947,000,000 in the bond portfolio would be divested if House Bill 744 had been enacted on the last day of the fourth quarter in 1985. (See Appendix D). The memo also estimated the following costs to the State for divestiture:

$ 3,106,904	Brokerage charges (stocks)
3,044,150	Brokerage charges (bonds)
541,200,000	Replacement costs
65,000,000	Market yield "give-up"
$ 612,351,054	Total Cost

The changes in the estimates from the original memo were caused primarily by two factors. First, the State's investment portfolio is actively managed -- thus, the State does not have investments in the same companies each quarter. Second, many of the companies doing business in South Africa are withdrawing, and many companies that originally failed or refused to sign the Sullivan Principles are now signatories to the Principles. (See Appendix I concerning companies withdrawing in 1986 from South Africa).

The Committee was also presented with a September 26, 1985 memo from the Treasurer's Office identifying NCNB and BankAmerican Corporation as the only two financial institutions (as of 1985) which had outstanding loans to South Africa and in which the Treasurer's Office held investments.

Representative Michaux discussed Connecticut's divestment legislation, which requires the divestment of state pension funds from companies doing business in South Africa unless the companies have received a rating of I or II (passing rates) under the Sullivan Principles rating system.

Mr. Jones, the Committee Counsel, explained the Sullivan Principles and the different ratings to the Committee. Representative Michaux moved and the Committee agreed to have the Committee Counsel draft proposed legislation requiring divestment of state pension and university trust funds from companies doing business in or with South Africa and financial institutions with

outstanding loans to South Africa unless the company or financial institution is a signatory to the Sullivan Principles. The proposed legislation would not require the company to achieve passing ratings under the Principles. All other provisions of the original bill (HB 744), such as spreading the sale of divested assets over three years, were to be left intact.

December 1, 1986

The Committee held its final meeting on December 1, 1986. Mr. Jones, Committee Counsel, briefly explained the contents of the final report submitted to the Committee. A draft bill requiring divestment from companies that had not signed the Sullivan Principles was distributed to the members for consideration. Senator Martin moved and the Committee approved the addition of language to the draft bill that would require divestment from companies unless they signed the Sullivan Principles AND acheived an acceptable performance rating in the top two categories of the Sullivan Principles ratings. The addition was to be patterend after the Iowa and Connecticut legislation, with Counsel to draft the language primarily from the Connecticut legislation.

Representative Michaux, in response to concerns raised by Representative Barker, stated that it was the intent of the bill to allow investments in those companies presently disqualified

once they become qualified.

In response to a question from Senator Conder, Counsel noted that as of April, 1986, had the proposed bill become effective on that date, divestment would have been required from approximately five companies, four of which were receiving unacceptable performance ratings and one of which had not signed the Sullivan Principles. Senator Conder contacted the State Treasurer's Office during the meeting to update the impact of this legislation. The company that had not signed the Sullivan Principles in April had done so since that time and the State no longer held investments in one of the four companies that received unacceptable performances on the April list. However, it was unknown whether the remaining three had since received acceptable ratings or whether the State had since invested in other companies since April that might be disqualified.

Counsel and Representative Michaux estimated, however, that the number of companies disqualified from State investments would continue to remain low and might eventually fall to zero because of the accelerated pace of corporate withdrawals from South Africa and the fact that more and more of the remaining companies are signing the Sullivan Principles and receiving acceptable performance ratings.

The Committee approved the draft bill, as amended, and the final report unanimously.

FINDINGS AND RECOMMENDATIONS

FINDINGS & RECOMMENDATIONS

THE COMMITTEE FINDS AND RECOMMENDS THAT THE STATE OF NORTH CAROLINA SHOULD DIVEST ITS PENSION AND UNIVERSITY TRUST FUNDS FROM COMPANIES DOING BUSINESS IN SOUTH AFRICA AND FINANCIAL INSTITUTIONS WITH LOANS OUTSTANDING TO THE REPUBLIC OF SOUTH AFRICA UNLESS THOSE COMPANIES OR FINANCIAL INSTITUTIONS COMPLY WITH THE SULLIVAN PRINCIPLES BY ACHEIVING AN ACCEPTABLE PERFORMANCE RATING FOR IMPLEMENTATION OF THE SULLIVAN PRINCIPLES, AS MEASURED BY THE ARTHUR LITTLE CO., INC.

RECOMMENDED LEGISLATION

A BILL TO BE ENTITLED
AN ACT TO PROHIBIT INVESTMENT OF RETIREMENT AND UNIVERSITY TRUST FUNDS IN CERTAIN COMPANIES INVOLVED WITH SOUTH AFRICA.

The General Assembly of North Carolina enacts:

Section 1. G.S. 147-69.2 is amended by adding at the end a new subsection to read:

"(d) Notwithstanding the provisions of subsection (b) of this section, the State Treasurer may not invest the assets of the Retirement Systems listed in G.S. 147-69.2(b)(6), or the assets of the trust funds of the University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1, in:

(1) a financial institution, as defined in G.S. 54B-4(b)(25), that has outstanding loans to the Republic of South Africa or its subdivisions or agencies unless the institution is a signatory to the Sullivan Principles and has attained a performance rating, if issued, for compliance with the Sullivan Principles in the top two categories as measured by Arthur D. Little, Inc., the official compliance monitor for the signatories to the Sullivan Principles.

(2) stocks, securities or other obligations of a company doing business in or with the Republic of South Africa or its subdivisions or agencies unless the company is a signatory to the Sullivan Principles and has attained a performance rating, if issued, for compliance with the Sullivan Principles in the top two categories as measured by Arthur D.

Little, Inc., the official compliance monitor for the signatories to the Sullivan Principles.

For the purposes of this section, the Sullivan Principles are a code of business practices relating to equal opportunities for black, coloured, and asian workers in South Africa, including but not limited to the following principles:

(a) Nonsegregation of the races in all eating, comfort, locker rooms, and work facilities;

(b) Equal pay and fair employment practices for all employees;

(c) Equal pay for all employees doing equal or comparable work for the same period of time;

(d) Initiation and development of training programs that will prepare blacks, coloureds, and asians in substantial numbers for supervisory, administrative, clerical and technical jobs;

(e) Increasing the number of blacks, coloureds, and asians in management and supervisory positions; and

(f) Improving the quality of employees' lives outside the work environment in such areas as housing, transportation, schooling, recreation, and health facilities.

The State Treasurer shall determine which companies and financial institutions are signatories to the Sullivan Principles based on reliable, accurate, and current information, including

the annual report published by the International Council for Equality of Opportunity Principles, Inc., on the Signatory Companies to the Sullivan Principles, to the extent the report is available to the State Treasurer and contains current information.

Sec. 2. After July 1, 1987, no assets of the Retirement Systems listed in G.S. 147-69.2(b)(6), or of the trust funds of the University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1, may remain invested in:

(1) a financial institution, as defined in G.S. 54B-4(b)(25), that has outstanding loans to the Republic of South Africa or its subdivisions or agencies unless the institution is a signatory to the Sullivan Principles and has attained a performance rating, if issued, for compliance with the Sullivan Principles in the top two categories as measured by Arthur D. Little, Inc., the official compliance monitor of the signatories to the Sullivan Principles.

(2) stocks, securities, or other obligations of a company doing business in or with the republic of South Africa or its subdivisions or agencies unless the company is a signatory to the Sullivan Principles and has attained a performance rating, if issued, for compliance with the Sullivan Principles in the top two categories as measured by Arthur D. Little, Inc., the official compliance monitor of

the signatories to the Sullivan Principles.

For the purposes of this act, the Sullivan Principles are a code of business practices relating to equal opportunities for black, coloured, and asian workers in South Africa, including but not limited to the following principles:

(a) Nonsegregation of the races in all eating, comfort, locker rooms, and work facilities;

(b) Equal pay and fair employment practices for all employees;

(c) Equal pay for all employees doing equal or comparable work for the same period of time;

(d) Initiation and development of training programs that will prepare blacks, coloureds, and asians in substantial numbers for supervisory, administrative, clerical and technical jobs;

(e) Increasing the number of blacks, coloureds, and asians in management and supervisory positions; and

(f) Improving the quality of employees' lives outside the work environment in such areas as housing, transportation, schooling, recreation, and health facilities.

The State Treasurer shall determine which companies and financial institutions are signatories to the Sullivan Principles based on reliable, accurate, and current information, including the annual report published by the International Council for

Equality of Opportunity Principles, Inc., on the Signatory Companies to the Sullivan Principles, to the extent the report is available to the State Treasurer and contains current information.

Provided, however, that if sound investment policy so requires, the State Treasurer may spread the sale of these investments over no more than three years as long as no less than one-third of the total value of the investments is sold in each of the first two years after July 1, 1987.

Sec. 3. This act shall become effective July 1, 1987.

EXPLANATION OF THE PROPOSED LEGISLATION

EXPLANATION OF PROPOSED LEGISLATION

The bill proposed by the Committee on State Investments with South African Investors would, if enacted, require the State Treasurer to divest the State's pension and university trust funds from financial institutions with loans outstanding to the Republic of South Africa and from companies doing business in or with the Republic of South Africa UNLESS the company has signed the Sullivan Principles and has acheived a rating in the top two categories of the Sullivan Principles.

Sullivan Principles: The Sullivan Principles are a code of business practices relating to equal opportunities for black, coloured, and asian workers in South Africa, as follows:

(a) Nonsegregation of the races in all eating, comfort, locker rooms, and work facilities;

(b) Equal pay and fair employment practices for all employees;

(c) Equal pay for all employees doing equal or comparable work for the same period of time;

(d) Initiation and development of training programs that will prepare blacks, coloureds, and asians in substantial numbers for supervisory, administrative, clerical and technical jobs;

(e) Increasing the number of blacks, coloureds, and asians

in management and supervisory positions; and

(f) Improving the quality of employees' lives outside the work environment in such areas as housing, transportation, schooling, recreation, and health facilities.

The Sullivan Principles were established in 1976 by the Rev. Leon Sullivan of Philadelphia. A company may indicate its desire to participate in these practices by signing the Sullivan Principles; participation by a company is completely voluntary. Rev. Sullivan's group, the International Council for Equality of Opportunity Principles, Inc., distributes a report during the fall of each year that lists the companies that have signed the Sullivan Principles and the progress they have made in adhering to the Principles. The progress made by each company is determined by the Arthur Little Co., Inc., a consulting firm to Rev. Sullivan's group, based on visits to the company's site in South Africa, observation of its activities, and questionnaires on the company's activities in implementing the Sullivan Principles.

Ratings: Each company is given one of five ratings: I, II, III, IV, or V. The ratings and their meanings are as follows:

I. Making Good Progress in implementing the Principles
II. Making Progress
III. Needs to Become More Active
IV. Endorses the Sullivan Principles, but has no employees or investments in South Africa
V. New Signatories that are not required to report

A rating of "I" or "II" is considered an acceptable performance under the Sullivan Principles and would also be considered acceptable under the Committee's proposed bill. A rating of "III" is an unacceptable performance under the Sullivan Principles and would likewise be an unacceptable performance under the proposed bill. Category IV is not applicable to the proposed bill since the bill is concerned with companies actually doing business in or with the Republic of South Africa. Category V includes those companies that have just signed the Sullivan Principles and who are not required to report on their progress during their first year as a signatory to the Principles.

The proposed legislation, in requiring a company to receive a rating of "I" or "II" to prevent mandatory divestment, appears to require divestment from companies falling within Categories IV and V. However, as stated before, Category IV is inapplicable. Furthermore, divestment is not required for Category V companies because the bill requires a "top two" performance rating ("I" or "II") only if a performance rating has been issued for the company. Since a Category V rating is not a performance rating, but merely a rating to denote new signatories, divestment is not required from Category V companies.

It was the Committee's intent that the Treasurer be allowed to invest in a company not presently a signatory to the Sullivan Principles or not presently receiving a passing rating ("I" or "II") as soon as the Treasurer receives reliable information that

the company has signed the Sullivan Principles and/or has received an acceptable performance rating, whichever is applicable. Thus, a company that signs the Sullivan Principles for the first-time in 1987 would be eligible for State investment without regard to its performance under the Sullivan Principles. Since a first-year signatory is not evaluated during its first year as a signatory, there is no way that anyone, including Arthur Little, will know whether the company's performance is acceptable. However, during the second year as a signatory, the company will automatically be removed from Category V and subjected to a performance evaluation. At that time, the company will receive either a "I", "II", or "III" rating and will be treated like all other companies receiving a similar rating.

It is difficult to pinpoint those companies in which the State has investments that would be affected by this legislation. This difficulty is caused by several factors. First, there have been numerous corporate withdrawals from South Africa. During the last two years, approximately 70 American companies have pulled out of South Africa, leaving roughly 270 U.S. companies as of December, 1986. The recently announced departures of GM and IBM are expected to accelerate the withdrawal of other American firms. Second, many companies have within the last year signed the Sullivan Principles or have acheived an acceptable performance rating. This information is published only once a year by the Arthur Little Co. and the International Council for Equality and

Opportunity Principles. Since the 1986 (Tenth) report was not available during the Committee's deliberations, the information used by the Committee in putting together its report was based on information from the 1985 (Ninth) Report. Numerous changes in ratings and signatories will no doubt appear in the Tenth Report. Third, the State's pension and university trust funds are actively managed by the Treasurer -- i.e., the corporate composition of the investment portfolio changes continuously.

Although it is impossible to permanently identify the companies that would be affected by the bill, it is possible to identify the companies at a particular time. The particular time at which the Committee identified these companies was in April, 1986. The identification made in April was based mostly on information from the Ninth Annual Report (published October 25, 1985).

Had the proposed bill taken effect in April, 1986, divestment would have been required from the following companies for the following reasons. The number of shares of stock held by the State in each of these companies in April, 1986 and in October, 1986 (the most recent available data), is also listed.

Company	Reason for Divestment	No./Shares Held in 1986 April	October
Parker-Hannifin	Non-signatory	172,000	258,000
Borg-Warner	Category III	320,000	None
Monsanto	Category III	430,000	430,000
Raytheon	Category III	658,000	358,000
Tenneco	Category III	300,000	300,000

Thus, as of April, 1986, the State Treasurer would have been required to divest from these five companies until they signed the Sullivan Principles and, where applicable, acheived an acceptable performance rating. Divestment would also have been required from any financial institution with loans outstanding to the Republic of South Africa. To illustrate how rapidly the list changes, the Committee was informed at its December, 1986 meeting that Parker-Hannifin had since signed the Sullivan Principles and the State no longer held investments with Borg-Warner. It was unknown at the time of the December meeting whether the three other companies on the April list had received acceptable ratings in the interim or whether the State had since invested in other companies that would be disqualified under the proposed bill.

The number of companies disqualified from the State investment list is expected to remain low and perhaps reach zero by the effective date of the bill because of the rapid withdrawal of companies from South Africa and the fact that more companies are signing the Sullivan Principles and achieving acceptable performance ratings.

Sections 1 and 2: Sections 1 and 2 of the bill are nearly identical to each other. The only distinction between the two is that section 1 prohibits future investments in companies that are disqualified under the bill whereas section 2 requires divestment of existing investments in disqualified companies.

Funds Affected: The proposed bill affects two types of funds held for investment by the State Treasurer:

(1) State pension funds, which include the following assets:

(a) Teachers and State Employees Retirement System
(b) Uniform Judicial Retirement System
(c) Uniform Solicitorial Retirement System
(d) Uniform Clerks of Superior Court Retirement System
(e) Firemen's and Rescue Workers' Pension Fund
(f) Local Governmental Employees Retirement System
(g) Law Enforcement Officers Benefit & Retirement Fund

(2) University trust funds, which include, among other things, federal and State grants, certain student fees, monies for scholarship funds and student activity funds, and gifts not intended as endowment monies.

The proposed bill does not apply to university endowment funds. Unlike trust funds, university endowment funds are held and invested by the boards of trustees of each of the sixteen constituent institutions of the University of North Carolina. The boards of trustees of many of the UNC schools have examined or are in the process of examining the investment of their endowment funds in companies doing business with South Africa.

3-Year Divestment Period: Like the original bill, HB 744, the proposed bill recommended by the Committee allows the State Treasurer to spread the sale of assets that must be divested over a three year period "if sound investment policy so requires." However, at least one-third of the value of these assets must be divested each year.

Three Versions Considered: The proposed piece of legislation is one of three that the Committee considered during its deliberations. The first version was House Bill 744, which would have required full divestment. The second version would have required divestment from those companies who fail to sign the Sullivan Principles. The proposed bill falls between these two earlier versions.

A P P E N D I C E S

APPENDIX A

MEMBERSHIP OF THE COMMITTEE ON STATE INVESTMENTS WITH SOUTH AFRICAN INVESTORS

Sen. J. Richard Conder
Rockingham
Cochairman

Sen. Ted Kaplan
Lewisville

Sen. William N. Martin
Greensboro

Mr. Bobby Porter
Roseboro

Mr. J.J. Sansom
Raleigh

Rep. Henry M. Michaux, Jr.
Durham
Cochairman

Rep. Jo Graham Foster
Charlotte

Rep. Vernon James
Elizabeth City

Rep. David J. Noles
Lincolnton

Rep. Barney Paul Woodard
Princeton

Staff:

Mr. Linwood Jones
Committee Counsel
(919) 733-2578

Mrs. Jackie Hamby
Committee Clerk

APPENDIX B

B

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1985

H D

HOUSE JOINT RESOLUTION DRHJR2062-LC

H.J.R. 527

Sponsors: Representative Locks.

Referred to:

A JOINT RESOLUTION URGING NORTH CAROLINA CORPORATIONS TO END ALL FINANCIAL INVOLVEMENT WITH SOUTH AFRICA.

Whereas, apartheid is the South African practice of strict racial segregation of education, housing, and public facilities; and

Whereas, the policy of apartheid, mandating both segregation and white supremacy, means that the vast majority of South Africans are governed by the sixteen percent (16%) of their countrymen who are Caucasian; and

Whereas, the number of Black South Africans in poverty rose from 4.9 million to 8.9 million between 1960 and 1980; and

Whereas, pay for Blacks averages one-eighth that of white workers and at least one-quarter of black babies born in rural areas die before their first birthday; and

Whereas, because Blacks do not have the right to vote, the white minority controls the entire government, most businesses, and eighty-seven percent (87%) of the land; and

Whereas, there is no free speech and opponents of apartheid are silenced by South African law that allows

authorities to detain people indefinitely, cut off from family or an attorney, without charging an offense; and

Whereas, Amnesty International reports that torture is extensively inflicted on political detainees and the government sanctions its use; and

Whereas, the South African government has forcibly resettled more than 3,000,000 Africans, moving them from the cities and more prosperous areas to rural, economically barren "homelands"; and

Whereas, although Blacks make up seventy-two percent (72%) of the population of South Africa, the "homelands" where they must settle constitute only thirteen percent (13%) of the land; and

Whereas, black workers who find employment in the cities are forced to leave their families in the "homelands", visiting them only once a year; and

Whereas, several hundred U.S. corporations supply capital, technology, and equipment to South Africa; and

Whereas, U.S. financial involvement in South Africa amounts to fourteen billion dollars ($14,000,000,000); and

Whereas, American involvement is particularly heavy in sectors such as mining, computers, and transportation, crucial to the survival of the white minority rulers, and all foreign companies are required to adhere to racially discriminatory laws and must cooperate with the current government in cases of civil unrest; and

Whereas, foreign investment supports the present economic system of political injustice; and

Whereas, according to a U.S. Senate report, "The net effect of American investment has been to strengthen the economic and military self-sufficiency of South Africa's apartheid regime."; and

Whereas, loans by American banks totalling three billion dollars ($3,000,000,000) also help preserve South Africa's unstable economy; foreign lending allows the apartheid government to concentrate domestic resources on strengthening its internal security apparatus and conducting military operations against neighboring Black-governed states; and

Whereas, divestment is the only effective way to prod South Africa's rulers to enact significant reforms; without foreign corporate and bank dollars to mask its weakness, South Africa would be forced to confront the fundamental flaws in its system and to reassess its elaborate system of repression in light of the loss of high technology capital resources provided by U.S. firms; and

Whereas, despite a South African law punishing by up to twenty years imprisonment anyone who advocates divestment, the 100,000-member Federation of South African Trade Unions supports divestment; and

Whereas, Bishop Desmond Tutu, winner of the 1984 Nobel Peace Prize, favors foreign economic pressure to force political change in South Africa; and

Whereas, five states and the District of Columbia have enacted legislation restricting or forbidding investment of public funds in companies that do business in South Africa; and

Whereas, 24 other states are considering similar legislation;

Now, therefore, be it resolved by the House of Representatives, the Senate concurring:

Section 1. The North Carolina General Assembly urges all North Carolina corporations to withdraw all investments and loans from South Africa and to end all financial involvement with South Africa until all vestiges of apartheid are eliminated.

Sec. 2. This resolution is effective upon ratification.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1985

H D

HOUSE DRH8120-LC

HB 744

Short Title: No State Funds in So. Africa. (Public)

Sponsors: Representative Locks.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO PROHIBIT INVESTMENT OF RETIREMENT AND UNIVERSITY TRUST FUNDS IN COMPANIES INVOLVED WITH SOUTH AFRICA.

The General Assembly of North Carolina enacts:

Section 1. G.S. 147-69.2 is amended by adding at the end a new subsection to read:

"(d) Notwithstanding the provisions of subsection (b) of this section, the State Treasurer may not invest the assets of the Retirement Systems listed in G.S. 147-69.2(b)(6), or the assets of the trust funds of The University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1, in:

(1) A financial institution, as defined in G.S. 54B-4(b)(25), that has outstanding loans to the Republic of South Africa or its subdivisions or agencies; or

(2) Stocks, securities, or other obligations of a company doing business in or with the Republic of South Africa or its subdivisions or agencies."

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Sec. 2. After July 1, 1986, no assets of the Retirement Systems listed in G.S. 147-69.2(b)(6), or of the trust funds of The University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1, may remain invested in:

(1) A financial institution, as defined in G.S. 54B-4(b)(25), that has outstanding loans to the Republic of South Africa or its subdivisions or agencies; or

(2) Stocks, securities, or other obligations of a company doing business in or with the Republic of South Africa or its subdivisions or agencies.

Provided, however, that if sound investment policy so requires, the State Treasurer may spread the sale of these investments over no more than three years as long as no less than one-third of the total value of the investments is sold in each of the first two years after July 1, 1985.

Sec. 3. This act shall become effective July 1, 1985.

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GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1985
RATIFIED BILL

CHAPTER 790
SENATE BILL 636

AN ACT AUTHORIZING STUDIES BY THE LEGISLATIVE RESEARCH COMMISSION, MAKING TECHNICAL AMENDMENTS THERETO, AND TO MAKE OTHER AMENDMENTS.

The General Assembly of North Carolina enacts:

Section 1. Studies Authorized. The Legislative Research Commission may study the topics listed below. Listed with each topic is the 1985 bill or resolution that originally proposed the issue or study and the name of the sponsor. The Commission may consider the original bill or resolution in determining the nature, scope and aspects of the study. The topics are:

(1) Continuation of the Study of Revenue Laws (H.J.R. 17-Lilley),

(2) Continuation of the Study of Water Pollution Control (H.J.R. 141-Evans),

(3) Adolescent Sexuality Teaching (H.J.R. 275-Jeralds),

(4) Continuation of the Study on the Problems of the Aging (H.J.R. 322-Greenwood),

(5) Continuation of the Study of Municipal Incorporations (H.J.R. 389-Greenwood),

(6) School Discipline (H.J.R. 861-Colton),

(7) Bail Bondsmen and Bail Bond Forfeiture (H.B. 967-Watkins),

(8) Preventative Medicine (H.B. 1052-Locks),

(9) Life Care Arrangements (H.B. 1053-Locks),

(10) State Personnel System (H.B. 1064-Wiser),

(11) Long-Term Health Care Insurance (H.B. 1103-Locks),

(12) Itinerant Merchants (H.B. 1170-Lancaster),

(13) Manufactured Housing Zoning (H.B. 1178-Ballance; S.B. 636-Plyler),

(14) Interest Rate Regulation (H.J.R. 1227-Evans),

(15) Underground Storage Tank Leakage Hazards and other ground water hazards (H.B. 1281-Locks),

(16) Mental Patient Commitments (H.J.R. 1313-Miller),

(17) High-Level Radioactive Waste Disposal (H.B. 1373-Diamont; S.B. 655-Hipps),

(18) Stun Guns (H.J.R. 1390-McDowell),

(19) Continuation of the Study of Water Quality in Haw River and B. Everett Jordan Reservoir (H.J.R. 1393-Hackney),

(20) Authority of Boards of County Commissioners in Certain Counties over Commissions, Boards and Agencies (H.J.R. 1405-Holroyd),

(21) Superintendent of Public Instruction and State Board of Education (H.J.R. 1412-Nye),

(22) Rental Referral Agencies (H.B. 1421-Stamey),

(23) Child Abuse Testimony Study (S.B. 165-Hipps),

(24) Home Schooling Programs (S.J.R. 224-Winner),

(25) Pretrial Release (S.J.R. 297-Winner),

(26) Inmate Substance Abuse Therapy Program (S.J.B. 317-Plyler),
(27) Inmate Work-Release Centers (S.B. 406-Swain),
(28) Community College System (S.B. 425-Martin),
(29) Community Service Alternative Punishment and Restitution (S.B. 495-Swain),
(30) State Employee Salaries and Benefits (S.B. 514-Jordan),
(31) State Infrastructure Needs (S.B. 541-Royall),
(32) Commercial Laboratory Water Testing (S.B. 573-Taft),
(33) Outdoor Advertising (S.B. 611-Thomas, B.P.),
(34) Premium Tax Rate on Insurance Companies (S.B. 633-Hardison)
(35) Continuation of the Study of Child Support (S.B. 638-Marvin),
(36) Local Government Financing (S.B. 670-Rauch),
(37) Medical Malpractice and Liability (S.B. 703-Taft),
(38) Marketing of Perishable Food (S.B. 718-Basnight),
(39) Child Protection (S.B. 802-Hipps),
(40) Legislative Ethics and Lobbying (S.B. 829-Rauch),
(41) Satellite Courts (S.B. 850-Barnes),
(42) Substantive Legislation in Appropriations Bills (S.B. 851-Rand),
School Finance Act (S.B. 848-Taft).

Sec. 2. Transportation Problems at Public Facilities. The Legislative Research Commission may identify and study transportation problems at public transportation facilities in North Carolina.

Sec. 2.1. The Legislative Research Commission may study the feasibility of the prohibition of investment by the State Treasurer of stocks of the retirement systems listed in G.S. 147-69.2(b)(6), or of the assets of the trust funds of The University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1 and G.S. 147-69.2(19) in a financial institution that has outstanding loans to the Republic of South Africa or in stocks, securities, or other obligations of a company doing business in or with the Republic of South Africa.

Sec. 3. Reporting Dates. For each of the topics the Legislative Research Commission decides to study under this act or pursuant to G.S. 120-30.17(1), the Commission may report its findings, together with any recommended legislation, to the 1987 General Assembly, or the Commission may make an interim report to the 1986 Session and a final report to the 1987 General Assembly.

Sec. 4. Bills and Resolution References. The listing of the original bill or resolution in this act is for reference purposes only and shall not be deemed to have incorporated by reference any of the substantive provisions contained in the original bill or resolution.

Sec. 5. The last sentence of G.S. 120-19.4(b) is amended by deleting the citation "G.S. 5-4" and inserting in lieu thereof the following: "G.S. 5A-12 or G.S. 5A-21, whichever is applicable".

Sec. 6. G.S. 120-99 is amended by adding a new paragraph to read:

"The provisions of G.S. 120-19.1 through G.S. 120-19.8 shall apply to the proceedings of the Legislative Ethics Committee as if it were a joint committee of the General Assembly, except that the chairman shall sign all subpoenas on behalf of the Committee.

Sec. 7. G.S. 120-30.17 is amended by adding a new subsection to read:

"(9) For studies authorized to be made by the Legislative Research Commission, to request another State agency, board, commission or committee to conduct the study if the Legislative Research Commission determines that the other body is a more appropriate vehicle with which to conduct the study. If the other body agrees, and no legislation specifically provides otherwise, that body shall conduct the study as if the original authorization had assigned the study to that body and shall report to the General Assembly at the same time other studies to be conducted by the Legislative Research Commission are to be reported. The other agency shall conduct the transferred study within the funds already assigned to it."

Sec. 8. This act is effective upon ratification.

In the General Assembly read three times and ratified, this the 18th day of July, 1985.

ROBERT B. JORDAN III

Robert B. Jordan III
President of the Senate

LISTON B. RAMSEY

Liston B. Ramsey
Speaker of the House of Representatives

APPENDIX C

STATE STATUTORY RESTRICTIONS ON PUBLIC INVESTMENTS IN COMPANIES DOING BUSINESS IN SOUTH AFRICA

CONNECTICUT (Connecticut General Statutes, Chapter 32, Section 3-13f)

Public Act 82-324 requires the State Treasurer to divest, within a reasonable period of time, all state funds currently invested in any corporation doing business in the Republic of South Africa. The law further provides that no new state funds can be invested in any corporation after the effective date of the law unless the company meets the following conditions:

a) adoption of the Sullivan Principles (a code of business practices relating to equal opportunities for black workers in South Africa promulgated by Reverend Leon H. Sullivan);
b) attainment of a performance rating for compliance with the Sullivan principles in the top two categories as measured by Arthur D. Little, Inc. (the official compliance monitor);
c) refusal to supply strategic products or services to the government of South Africa for its use or for use by the military or police in that country; and
d) recognition of the right of all South African employees to organize and to strike in support of economic or social objectives, free from the fear of dismissal or blacklisting.

For the purposes of this law, the term "doing business in South Africa" includes not only those companies "conducting or performing manufacturing, assembly, or warehousing operations," but also "lending money to the Republic of South Africa or any agency or instrumentality thereof" in the case of a bank or other financial institution.

MICHIGAN (Michigan Compiled Laws Annotated, Section 21.145)

To be a depository of surplus funds belonging to the state, a bank chartered under the laws of the state or the United States shall not encourage or condone legally required discrimination against an individual on the basis of race or color, by knowingly making or maintaining a loan to the Republic of South Africa, a national corporation of the Republic of South Africa, or to a subsidiary or affiliate of an American firm operating in that country. A bank shall be considered to have complied with these requirements if it filed with the Commissioner of the Financial Institutions Bureau an affidavit attesting to the fact that it has no existing loans to these prohibited entities in force after July 4, 1982.

A corporation, or a subsidiary or affiliate of a corporation, that is more than 50 percent owned or operated by the government of the Republic of South Africa shall be deemed a "national corporation" for purposes of this law. "Subsidiaries or affiliates" however, means only those firms incorporated under the laws of the Republic of South Africa, domiciled in that nation, and

controlled by a U.S. firm. It does not mean a subsidiary or affiliate located in the United States.

MICHIGAN (Michigan Compiled Laws, Section 37.2402)

Effective April 1, 1984, the State of Michigan prohibited public institutions of higher education from "knowingly making or maintaining" an investment in any United States' firms or any subsidiary or affiliate of a United States' firm in South Africa.

As defined in this section, "investment" means only "money placed in shares of stocks and other equity interests," not bank deposits made in the ordinary course of business.

MASSACHUSETTS (Massachusetts General Laws Annotated, Chapter 32, Section 23 (1)(d)(vi))

State law prohibits the State Treasurer from maintaining public employee pension funds in any bank or financial institution which directly, or through its subsidiaries, has outstanding loans to the Republic of South Africa or its instrumentalities (effective January 1, 1983). This statute, which affects funds of the State Employees', Teachers', and Massachusetts Turnpike Authority Employees' Retirement Systems, also barred as of the same date continued investment in the "stocks, securities or other obligations of any company doing business in or with the Republic of South Africa."

MASSACHUSETTS (1986 Massachusetts Acts, Chapter 233)

Industrial development bonds may not be issued for a project if the sponsor does business in the Republic of South Africa.

MARYLAND (Maryland Annotated Code, Article 95, Section 21)

Since the beginning of 1985, a statutory prohibition has been in force which bans the deposit of state funds in any financial institution unless that institution certifies in writing to the Treasurer "that it has no direct loans or foreknowledge of any indirect loans" outstanding to any unit of government or any national corporation of the Republic of South Africa. Direct or indirect loans outstanding prior to January 1, 1985, are not covered by this statute.

MARYLAND (Maryland Annotated Code, Article 73B, Section 161(1))

The Board of Trustees for the Maryland State Retirement and Pension System, under the guidelines of this law, must require its external investment managers to avoid any new investments in any stock, security or other obligation in any company that does business in or with the Republic of South Africa. This restriction applies from July 1, 1985 to June 30, 1987 and further covers only new investments from net new funds.

Companies which are signatories to the Sullivan Principles and which are making "progress or good progress" toward implementation are exempt from the reach of these restraints.

In addition to the aforementioned requirements, the Board must "directly encourage, and vote proxies in favor of resolutions requiring, the corporations in which the systems have an ownership interest to agree to abide by, implement and demonstrate that the corporation at a minimum is making progress" or implementing the Sullivan Principles.

During this two-year period, the Board must also establish a data base system for collection of pertinent information on the effect of this investment prohibition on the performance of the System's portfolio.

Finally, the law directs the Governor to appoint a task force by July 1, 1987 which will receive the data collected by the Board, and assess the impact of this investment restriction. A report of the task force's findings must be forwarded to the governor and the General Assembly by December 31, 1987.

MARYLAND (1986 Maryland Laws, Chapter 666)

A state agency may not knowingly procure any finished supplies that have been produced or manufactured in the Republic of South Africa after January 1987.

The law provides for two exceptions to these restrictions. First, if the agency head states in writing that the procurement is essential and no other available source is known to the agency which will provide the supplies at a reasonable cost. A second exception applies in the case of procurements over $100,000 solicited by the state. To receive this exemption, each bidder must certify to the state at the time of the contract award that (1) it is not doing business with or in South Africa; or (2) its operations in South Africa comply with the Sullivan Principles. Willful violation of these requirements or misrepresentation of information contained in the certificate constitutes a misdemeanor. Conviction of this offense is punishable by a fine not to exceed $1,000 or imprisonment for a period not exceeding three months.

For the purposes of this statute, "doing business in or with South Africa" means:

1) having any operations or a majority owned subsidiary in the country which employs more than 20 employees;

2) providing financial services to the government of South Africa, including providing direct loans, underwriting government securities, or promoting the sale of gold coins from that nation; or

3) providing any supplies or services to the South African government, except supplies or services provided for an educational, medical, charitable or religious purpose.

Specifically excluded from the meaning of this term, however, are companies or persons who are completing a limited consulting contract in existence on the date of enactment of this law. Furthermore, that contract must have been entered into as a result of the company divesting itself of all business property and operations in South Africa.

IOWA (Iowa Code, Section 12A.1 et seq.)

Funds under the control of the State Treasurer and the State Board of Regents, as well as monies in the Iowa public employee retirement fund, cannot be invested or deposited after June 30, 1985, in any financial institution which has a loan outstanding to the Republic of South Africa. Moreover, investments in the stocks, securities, or other obligations of such financial institutions or any company doing business in or with the Republic are also prohibited. These restrictions do not apply, however, to any company which has adopted the Sullivan Principles and has been ranked in categories one, two, four or five; or to any company which has been a Sullivan signatory for at least five years and has obtained a performance rating in the top two categories during four of the past five years.

Not only are new investments forbidden, the state must also divest itself of securities and other investments in such institutions and corporations by July 1, 1990. At least one fourth of the value of the investments held on July 1, 1985, must be sold beginning on July 1, 1988, unless the General Assembly determines that "substantial and fundamental progress" has occurred in establishing human rights policies in the Republic.

RHODE ISLAND (Rhode Island General Laws, Chapter 35-10)

Over the four year period beginning July 1, 1985, Public Law 85-336 requires the divestment of state monies and pension funds which, as of that date, are invested in any financial institution lending money to or any corporation doing business in the Republic of South Africa. In addition, no new investments will be allowed after July 1, 1985, in the financial institutions loaning money or the companies doing business in, or with, the Republic. A nine-member commission, composed of legislators and public citizens, will oversee the divestment program.

Notwithstanding this directive, divestment is not required if sales "would not be in accordance with such action as prudent individuals of discretion and intelligence in such matters, who are seeking a reasonable income and the preservation of their capital, would take, or when the market value of the investments...is lower than the purchase price...."

After July 1, no bank or trust company may serve as a depository of state funds if it provides to the Republic of South Africa, either directly or through a subsidiary or agent, the following services:

a) the sale, advertising or promotion of the sale of krugerrands, or any other coins minted in South Africa;

b) the underwriting of securities; or
c) the making of new loans to the government or private sector, other than loans for certain educational, housing or health facilities.

Furthermore, no state department, agency, authority or instrumentality may purchase any good known to be wholly produced in South Africa.

NEBRASKA (Nebraska Revised Statutes, Section 72-1270 et seq.)

Acting on a broader scale, Nebraska lawmakers banned several types of state investment activity. Legislation enacted in that state prohibited continued public investment in the stocks of any financial institution which, directly or through its subsidiaries, had outstanding loans to the South African government or its instrumentalities as of January 1, 1985. Divestment could have been avoided if, by July 1, 1984, the financial institution adopted a formal South African investment policy which included:

a) a complete listing of any outstanding South African public sector loans and the purposes for which such loans were made;
b) the amortization schedule for such loans; and
c) a public commitment not to renew any existing loans or make any new loans to the South African public sector.

If at any time in the future the institution adopts such a policy, reinvestment of public funds could occur.

In addition to these restrictions, the 1984 law halts investment of state funds in the bonds of any financial institution which, directly or through its subsidiaries, has outstanding loans to the South African government or in the bonds of any corporation doing business in or with the Republic of South Africa, effective January 1, 1985. New state investments in the bonds of any financial institution would be allowed when an institution met the three criteria described in paragraph one.

New investments in corporation bonds would be authorized, however, if the company "has agreed to abide by, is implementing, and demonstrates that it is making good progress in implementing the Sullivan Principles which call for:

a) nonsegregation of the races in all eating, comfort, and work facilities;
b) equal and fair employment practices for all employees;
c) equal pay for all employees doing equal or comparable work for the same period of time;
d) initiation and development of training programs that will prepare substantial numbers of black and other nonwhite persons for supervisory, administrative, clerical, and technical jobs;
e) representation of black and other nonwhite persons in management and supervisory positions in a proportion equal to their percentage of the total population; and
f) improvement in the quality of employees' lives outside the work

environment including, but not limited to, the areas of housing, transportation, education, recreation and health care."

As of January 1, 1987, financial institutions or corporations doing business in South Africa must meet the criteria just discussed or also face divestment of state funds invested in their stocks.

LOUISIANA (Louisiana Revised Statutes, Section 49:309.1)

After January 1, 1986, the Treasurer may no longer make any deposit of state funds in an institution unless that bank, trust company, savings and loan association, or building and loan association has certified to him, in writing, that it has no direct loans or knowledge of any indirect loans outstanding to any unit of the government of the Republic of South Africa or any national corporation of that country. Loans outstanding on the effective date of this Act are not affected by this prohibition.

LOUISIANA (1986 Louisiana Public Acts, Public Act 896)

Under the guidelines of this new legislation, investor-owned public utilities will be prohibited from providing the Republic of South Africa, its instrumentalities, or any private or public company doing business in or with the government of that nation, with nuclear or alternate energy technologies. Furthermore, they will be barred from importing uranium from that nation or any private or public company doing business in South Africa.

NEW JERSEY (New Jersey Statutes Annotated, Section 52:18A-89.1 et. seq)

This new law halts the investment of pension or annuity funds in any financial institution which, directly or through its subsidiary, has outstanding loans to the Republic of South Africa or its instrumentalities, or in the stocks, securities, or other obligations of any company engaged in business in or with the Republic. Existing investments must be divested within three years of the enactment of this legislation.

VERMONT (1986 Vermont Acts, Act 246)

Newly enacted legislation prohibits the state from investing or depositing public funds under the control and custody of the state treasurer in any bank or financial institution which has deposits from, or outstanding loans to or in, the Republic of South Africa. Furthermore, the law states that no public assets under the control and custody of the treasurer shall remain or be invested in the stocks, securities or other obligations of any company doing business in or with South Africa. Included within the reach of these restraints are all:

1) general state funds which are temporarily invested;

2) monies being held for safekeeping for departments and agencies; and

3) funds held for safekeeping for individuals.

To assist in the implementation of this law, each bank in the state which has state deposits or investments will be required to submit annually to the treasurer a statement certifying that it does not have any deposits from, or outstanding loans to or in, the Republic of South Africa. Non-bank financial institutions and other companies, their affiliates and subsidiaries, in which the state has deposits or investments will be required also to submit an annual statement to the treasurer certifying that they do not have any loans or investments in South Africa nor do they engage in trade with that country.

OKLAHOMA (Oklahoma Statutes Annotated, Title 61, Sections 71 and 89.2)

"On or after July 1, 1987, no public funds or monies subject to the control of the State Treasurer shall remain deposited (or invested) in any bank or financial institution which directly or through its subsidiaries has outstanding loans to the Republic of South Africa or its instrumentalities."

FLORIDA (Florida Statutes Annotated, Section 215.47(11))

The Board of Administration, which invests state retirement funds and other monies, may not "buy any obligation or security of any South African corporation or of any South African government-owned corporation or of the South African government."

CALIFORNIA (1986 California Statutes, Chapter 1254)

The latest state law relating to South African investments would prohibit the use of state trust monies for additional or new investments or any renewed investments in any business firm that has business operations or arrangements with the government of South Africa, effective January 1, 1987. On that same date, similar investments would be barred in any financial institutions that make loans to any South African corporation or to the government of South Africa.

These restrictions would not apply, however, to any business or financial institution that, by resolution of its governing body, adopts a policy to not expand existing, or establish new, business operations; or to renew existing business arrangements, or loans; and to not make any additional or new business arrangements, or loans, in South Africa, or with the government of that country, or to any South African corporation. The prohibitions would not apply as well to any financial institution which renews existing loans or makes additional or new loans to any South African corporation or to the government of South Africa only to the extent necessary or appropriate to facilitate repayment of loans or other credits committed or provided before January 1, 1987.

Beginning January 1, 1988 and through January 1, 1991, state trust funds would be required to reduce annually by one-third their respective investments in business firms with business operations in South Africa or business arrangements with the government of that country and in financial institutions making or increasing loans or other extensions of credit to the South African government or any South African corporation.

After January 1, 1987, state monies may not be invested in any business nor deposited with any financial institution described above.

Present, future and former members of the governing board of any trust fund; present, future and former Regents of the University of California; officers and employees of the state or the university; and investment managers under contract with the state or the university would be indemnified from the General Fund from all claims, demands, suits, actions, damages, judgments, and other costs, charges, and expenses sustained by them at any time by reason of a decision to restrict, reduce or eliminate investments in business firms with operations or arrangements in South Africa or investments in financial institutions extending credit to the government of South Africa or a South African corporation.

Sanctions: Some States Are Weighing In

State	Date Adopted	Type of Policy	Assets in Funds Covered by Policy	Assets to Be Sold to Meet Policy	Amount Sold to Date
California	9/85	divestment*	$ 52 3 billion	$ 6.3-7 billion	$ 0
	7/86	divestment*	9 4 billion	3.1 billion	0
Colorado	8/85	no new investment*	983 million	0	0
Connecticut	6/82	divestment	4 billion	440 million	86.4 million
Florida	6/86	no new investment	11 5 billion	0	0
Iowa	5/85	divestment	3 6 billion	25 5 million	21.2 million
		banking restrictions	...	0	0
Kansas	9/85	divestment*	3 billion	0	23-24 million
Louisiana	7/85	banking restrictions	...	...	0
Maine	6/85	divestment*	1 3 billion	0	400,000-800,000
Maryland	3/84	banking restrictions	500 million	0	0
	5/85	no new investment	8 billion	0	0
	5/86	selective purchasing	not applicable	not applicable	not applicable
Massachusetts	1/83	divestment	3.25 billion	0	91 million
	7/86	no industrial bonds	not applicable	not applicable	not applicable
Michigan	12/80	banking restrictions	...	0	0
	12/82	divestment**	at least 267 million	at least 424 000	at least 62.98 million
Minnesota	10/85	divestment*	10 15 billion	0	0
Nebraska	4/34	divestment	600 million	3.3 million	60 5 million
New Jersey	8/85	divestment	17 billion	4 4-5 4 billion	2.9 billion
New Mexico	11/85	divestment*	3.5 billion	less than 180 million	...
North Dakota	7/85	no new investment*	950 million	0	0
Oklahoma	6/86	banking restrictions	...	...	...
Rhode Island	6/85	divestment	1 8 billion	126 3 million	54 8 million
Vermont	1/86	divestment*	230 million	41-46 million	0
	6/86	divestment	100 million	0	0
West Virginia	5/86	divestment*	3 9 billion	570 million	85 million
Virgin Islands	10/34	divestment	304 million	...	...

* Policy applies to certain securities only.

** This list applies to the University of Michigan and ... Figures in Michigan's investments and ... that have ... in Michigan's ... the University of Michigan and Wayne State University.

*** Figures not available.

SOURCE: Investor Responsibility Research Center, Inc.

DIVESTITURE LEGISLATION
IN OTHER STATES
(as of January 20, 1986)

STATE	LEGISLATION	STATUS
ARKANSAS	No legislation pending.	----
ALABAMA	H 127: No state funds to be invested in corp. doing business in or with RSA except for corps. providing famine relief or charitable assistance to Africa. Any state official failing to comply with divestiture law is guilty of felony and forfeits retirement and other benefits from state.	Failed
	H 98: Divest state pension funds in lenders with loans to RSA or with loans to companies doing business in RSA.	Pending
ALASKA	HB 465: Divest state funds in lenders with loans to RSA or in corps. doing substantial business in or with RSA or whose subsidiaries do substantial business in or with RSA. No purchase of goods made in S. Africa or from corps. doing substantial business there.	Pending
	H.Con. Res. 17 & S.Con.Res. 14: urging disinvestment by state agencies invested in companies doing business in RSA.	Pending
ARIZONA	HB 2250: No state funds in banks with loans to RSA nor in companies doing business in or with RSA.	Pending
CALIFORNIA	SB 9: Divest state pension funds from banks with loans outstanding to RSA and from companies doing business with RSA.	Died
	AB 134: Prohibit use of state funds to make additional or new investments or to renew existing investments in companies doing business in or with RSA; same rule would apply to state funds invested in banks making any new loans or renewing existing loans after the effective date of the act; also require prohibit similar investments by university retirement fund.	Pending

C-1

CALIFORNIA (cont'd.)	AB 1022: Prohibit investor-owned public utility from providing nuclear, telecommun. & alternative energy research or nuclear, telecommunications or alternative energy technology to RSA or to any country that exports such research or technology to RSA; prohibit these utilities from importing or using uranium mined in RSA.	Vetoed
	AB 1023: Privately-owned public utilities must divest pension funds from all banks w/ loans to RSA unless bank promises not to renew existing loans or make new loans to RSA and requires divestment of such funds from corps. doing business in or with RSA.	Died
	AB 1134: same as SB 9 (above).	Vetoed
	AB 1402: Prohibit the Calf. State Lottery Commission from purchasing goods or contracting for services from any company that also supplies goods or services to companies doing business in RSA.	Died
	AB 2922: Prohibits private companies that fail to adopt a policy to not renew or extend existing business loans, arrangements, and agreements and not to do any additional business in or with RSA from electing an alternative method of determining income for state income tax purposes.	Pending
CONNECTICUT	Conn. Stat. 3-13(f): Disinvest state funds from all corps. doing business in S. Africa and lenders lending to RSA except those that have acheived rating in top 2 categories of Sullivan principles, do not supply strategic products or services for use by RSA gov't., military or police, and recognize right to strike.	Enacted
	Conn. Stat. 3-13(g): No investment of state funds in corp. doing any business in Iran that could be considered contrary to foreign policy or U.S. interests.	Enacted

DELAWARE	HB 20: Divest state funds with lenders making loans to RSA or its national corporations nor in companies doing business or whose subsidiaries do business in RSA.	Pending
	Sen. Res. 60: urging Congress to support "bold new initiatives" in dealing w/ apartheid. A similar concurrent resolution was tabled.	Passed
GEORGIA	Divest state funds invested with or deposited in lenders with loans to RSA or in companies doing business in or with RSA.	Pending
ILLINOIS	HB 285: Divest all retirement funds invested or deposited in lenders with loans outstanding to RSA and divest from all companies doing business in or with RSA.	Pending
	HB 2530: Prohibit corps. investing in RSA or in RSA companies from obtaining enterprise zone income tax credit, certain property tax rebates, and exemptions of certain items from sales and use tax.	Pending
INDIANA	No public funds to remain invested in corps. w/ principle place of business in RSA or doing business with RSA nor in instruments issued by RSA.	Pending
IOWA	No state pension or university trust funds to remain with lenders making loans after the effective date of the act to RSA or in companies doing business in S. Africa unless they have acheived rating in top 2 categories of Sullivan and don't provide strategic goods or services. U.S. gov't. securities are excepted from these requirements. State's shareholder rights in stock of corps. not complying with this Act must be voted to induce the corp. to change its policy towards S. Africans.	Enacted
KENTUCKY	No legislation pending.	----
LOUISIANA	R.S. 49:309.1: No deposits in banks with direct loans or known indirect loans to RSA or national corps. of RSA. Applies only to loans made after the effective date of this act.	Enacted

MAINE	LD 488: No deposits in banks with loans to RSA or in corps. doing business in or with RSA.	Pending
	HP 1117 (Joint Res.): urge divestment of all public funds invested in companies that are non-signatories to the Sullivan principles.	Pending
MARYLAND	Md. Stat. 6-208: No state funds to be deposited with any lender making direct or indirect loans to RSA or RSA national corps. after Dec. 31, 1984.	Enacted
MASSACHUSETTS	Mass. Stat. Title 32, sec. 23(1)(d): No state pension funds to remain deposited with lenders with loans outstanding to RSA or in corps. doing business in or with RSA. Proceeds from divestment should be reinvested in companies doing business in Massachussetts.	Enacted
	No investments in banks with loans to companies producing weapons for use in Northern Ireland and no investment in such companies.	
MICHIGAN	No public school or public college funds may be invested in any U.S. firm or its susidiary operating in RSA or in the U.S.S.R.	Enacted
MISSOURI	HB 1430: No state pension, educational or public trust funds to be invested in companies doing business in or with RSA or with lenders making loans to RSA or RSA national corps. Proceeds from divestiture are to be re-invested in companies operating in Missouri.	Pending
MONTANA	No legislation pending; legislation from a previous session failed.	----
NEBRASKA	Neb. Stat. 72-1270 et seq.: Divest state funds invested in financial institutions making loans to RSA unless the institution promises not to renew any existing loans or make new loans to the RSA or any corp. that is more than 50% owned or operated by RSA.	Enacted
NEVADA	SB 294: Divest state funds invested in banks with loans to RSA, its national corps. or invested in companies doing business or whose subsidiaries are operating in RSA.	Failed

NO. DAKOTA	H.Con.Res. 3088 (Joint Res.): authorizing study commission to look at divestment. (The Public Employees Retirement Board and the State Investment Board have enacted rules prohibiting investment of their assets in non-signatory companies.	Failed
OHIO	HB 22: Disinvest state funds in companies present in or having a subsidiary present in RSA except that 4% of the current market value of the total investment portfolio may be maintained in companies receiving a performance rating in the top category of the Sullivan principles.	Pending
OREGON:	HB 2001: Divest state funds invested in lenders with loans to RSA and in corps. headquartered in or owned by RSA and in companies doing business in or with RSA. Passed by the Oregon legislature but vetoed by the Governor.	Vetoed
RHODE ISLAND	H 5617: Divest state funds and pension funds from corps. doing business in RSA on following schedule: (a) first year: from all corps. doing business in RSA and selling oil, weapons, or data processing equipment to the RSA gov't., police, or military for use in sustaining apartheid. (b) second year: from all corps. doing business in RSA who have not adopted Sullivan Principles. (c) third year: from all corps. doing business in RSA which are not rated in categories I or V of the Sullivan Principles. (d) fourth year: from all corps. doing business in RSA which are not rated in category I of Sullivan Principles.	Pending
SO. CAROLINA	H. Res. 3168: urge State of So. Carolina and all S.C. corps. to divest for 5 year period.	Pending
	H.J. Res. 3248: require all gov't. entities to report the amount of their investments in any gov't. or financial entity of RSA.	Pending
	S 729: Disallow state tax credits and exemptions to any new or enlarged mfg. establishment engaged in any business activity involving RSA.	Pending

SO. CAROLINA (cont'd.)	S 728: Require financial institutions to certify that they don't have loans to the RSA.	Pending
	S 727: Divest state funds from companies doing business in or with RSA and lenders making loans after effective date of the act and prohibit state purchases of goods produced in RSA or produced by companies serving the RSA gov't.	Pending
	S 725: No state funds to be invested in RSA financial or gov't. entity or any business enterprise or charitable foundation doing business w/ RSA or located in RSA.	Pending
SO. DAKOTA	No legislation pending.	----
TEXAS	HB 47: No future investments by public universities in corps. operating in RSA or investing in RSA.	Not Reptd out of Comm.
	HB 269: Disinvest state funds invested with lenders with loans to RSA or with companies doing business in or with RSA.	Not Reptd Out
	HB 270: No future investments of the type described in HB 270.	Not Reptd Out
	HB 603: No investments by public universities of type prohibited above.	Not Reptd Out
	HB 2135: Divest state pension and university trust funds invested with non-signatory companies doing business in RSA.	Not Reptd Out
VERMONT	H 210: Divest state funds from all companies doing business in or with or making loans to RSA unless rated in the top two categories of the Sullivan principles and not delivering strategic goods to RSA, its military or police. Divested proceeds are to be reinvested in companies investing in Vermont. The Act, if passed, would expire whenever the United Nations declared that apartheid had been abolished. The Vermont State Employees Retirement Board has voted for divestiture of its assets.	Failed

VIRGINIA	H.J.Res. 145: requests state agencies to disinvest.	Pending
	H.J.Res. 142: request all Va. companies operating in RSAto stop doing business there.	Pending
W. VIRGINIA	HB 1739 & SB 145: Prohibits purchase of goods by State if they were manufactured or originated in RSA or if they were made by companies providing supplies to RSA; also prohibits use of services by State of any company serving RSA; requires divestment of certain state funds invested in banks w/ loans to RSA and those invested in companies doing business in or with RSA. Money is to be reinvested in companies doing business in West Virginia.	Pending
WISCONSIN	**Wisc. Stat. 36.29(1): State universities may not invest in companies that practice or condone racial discrimination.**	**Enacted**
	AB 54: No public pension funds may be invested in lenders with loans to RSA or corps. doing business in or with RSA. Proceeds to be reinvested in companies investing in or doing business in Wisconsin.	Pending
WYOMING	No legislation pending.	----

APPENDIX D

DISINVESTMENT ACTIONS TAKEN BY THE CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA

(13 of the 16 constituent institutions reporting)

Business Affai

Appalachian State University
Boone, North Carolina 28608

704/262-2030

November 19, 1985

Mr. Linwood Jones, Committee Counsel
General Research Division
Legislative Office Building
300 North Salisbury Street
Raleigh, North Carolina 27611

Dear Mr. Jones:

This is in response to your letter of November 13, 1985, relative to the study that is being conducted by the Legislative Research Commission in regard to investments in South Africa.

Appalachian State University maintains an Endowment Fund, the assets of which are made up totally of New River Light and Power Company and the University Bookstore, neither of which have a portfolio of investments. In addition to the A. S. U. Endowment Fund, there does exist the Appalachian State University Foundation, Inc., a separate entity from the University, the purpose of which is to provide a vehicle for private gifts to the University and in turn support for the University. The total assets of the Foundation as of October 31, 1985, are just over $7,800,000 of which approximately $4,500,000 is managed by investment advisors.

At the September meeting of the Board of Trustees of Appalachian State University, a request was made to the Board of Directors of the Foundation to review its portfolio with regard to substantive investments in firms doing business in South Africa. At a meeting of the Board of Directors of the Foundation on Friday, November 15, 1985, the enclosed policy on social investment was approved and will be presented to the Board of Trustees of the University at its meeting on December 6, 1985.

We hope this information will be helpful in your study; and if we can provide additional material, please let us know.

Very sincerely,

Ned R. Trivette
Vice Chancellor for
Business Affairs

NRT:pal

Enclosure

cc: Dr. John E. Thomas
Mr. Bob Snead

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GENERAL RESEARCH DIVISIO

POLICY ON SOCIAL INVESTING

Appalachian State University Foundation, Inc.

The Appalachian State University Foundation, Inc. recognizes the endowment and other funds of the Foundation as increasingly important sources of revenue for support of Appalachian State University. The continuing trend of financial needs suggests to the Foundation's Investments Advisory Committee that the proper investment objective should be to maximize the total return (appreciation and income), assuming a prudent and reasonable risk level. A goal of above average investment performance is desired.

The Foundation acknowledges the difficult, perhaps even impossible, task of attaining consistently above average returns from diversified portfolios, even if the historic trend of capital markets continue into future years. Nevertheless, the challenge of excellent performance seems likely to produce higher returns than results under a lesser stated goal.

The Foundation abhors the policy of apartheid which exists in South Africa and other social injustices, but its Board of Directors has a legal and moral obligation to manage the Foundation's assets so as to meet the needs of present and future generations of faculty and students. As guardians of the Foundation's financial resources the Board of Directors is governed by legal requirements to preserve those assets and manage them prudently. Thus the Board of Directors is not free to use the financial resources of the Foundation to promote social causes if doing so would conflict with its fiscal responsibilities.

The Foundation reaffirms its policy of seeking maximum long-term total return, combining appreciation and income, and in line with prudent and reasonable levels of investment risk.

RECEIVE
NOV 18 1985
GENERAL RESEARCH DIVIS

EAST CAROLINA UNIVERSITY
GREENVILLE, NORTH CAROLINA 27834-4353

November 15, 1985

Vice-Chancellor
for
Business Affairs

Mr. Linwood Jones
Committee Counsel
Legislative Research Commission
State Legislative Building
Raleigh, NC 27611

Dear Mr. Jones:

In response to your letter of November 13, 1985, this is to inform you that all investments of East Carolina University are either in Certificates of Deposit with area banks and loan associations or investments in obligations of the United States Government. I am not in a position to advise whether any of the banks from whom we purchase CD's have investments with South African investors.

Sincerely,

C. G. Moore

CGM:j

Elizabeth City State University

ELIZABETH CITY, NORTH CAROLINA 27909

OFFICE OF THE VICE CHANCELLOR
FOR FISCAL AFFAIRS

RECEIVED
NOV 21 1985
GENERAL RESEARCH DIVISION

November 19, 1985

Mr. Linwood James, Committee Counsel
General Research Division
Legislative Office Building
300 North Salisbury Street
Raleigh, North Carolina 27611

Dear Mr. Jones:

I wish to inform you that per your letter to me dated November 13, 1985, Elizabeth City State University does not have any state or non-state funds invested with South African investors.

If there are further questions relative to this matter, please feel free to call on me. I can be reached by telephone at (919) 335-3427.

Sincerely yours,

Roger A. McLean
Vice Chancellor for
Fiscal Affairs

msbj

cc: Chancellor Jimmy R. Jenkins

Fayetteville State University
FAYETTEVILLE, N. C. 28301-4297
ESTABLISHED 1867

OFFICE OF VICE CHANCELLOR
FOR BUSINESS AFFAIRS

November 19, 1985

Mr. Linwood Jones
Committee Counsel
General Research Division
Legislative Office Building
300 North Salisbury Street
Raleigh, North Carolina 27611

Dear Mr. Jones:

Fayetteville State University is concerned about the possible disinvesting of state funds with South African investors and has examined our investments.

We concur with this posture. Our portfolio is very small and the extent of our investments are with local banks and an Investment Fund handled by Chase Manhattan. We have been informed that none of our investments are with South African investors.

Very truly yours,

J. V. Parham
Vice Chancellor for
Business Affairs

JVP/pc

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NOV 22 1985
GENERAL RESEARCH DIVISION

NORTH CAROLINA AGRICULTURAL AND TECHNICAL STATE UNIVERSITY

GREENSBORO 27411
(919) 379-7587

of the Vice-Chancellor for Fiscal Affairs

November 26, 1985

Mr. Linwood Jones
Committee Counsel
State of North Carolina
LEGISLATIVE RESEARCH COMMISSION
State Legislative Building
300 North Salisbury Street
Raleigh, NC 27611

Dear Mr. Jones:

We acknowledge receipt of your November 13, 1985, letter regarding a study of the desirability of disinvesting state funds held with South African investors.

In this regard, the Board of Trustees of North Carolina A&T State University passed a resolution at its September 18, 1985, meeting condemning the South African Apartheid Policy. A copy of this resolution is enclosed.

Please note that the majority of investments which the University controls are in the form of certificates of deposit with local banking institutions.

Mr. Jonah Smith, our University Treasurer, will be interested in attending the meetings of the committee. Advance notice of each public meeting may be sent directly to him.

Sincerely,

Charles C. McIntyre
Vice Chancellor for
Fiscal Affairs

CCM/bdpb

Enclosure

cc: Mr. Jonah Smith, Treasurer

NORTH CAROLINA AGRICULTURAL AND TECHNICAL
STATE UNIVERSITY
GREENSBORO
27411
(919) 379-7940

BOARD OF TRUSTEES

NORTH CAROLINA AGRICULTURAL & TECHNICAL STATE UNIVERSITY

RESOLUTION
of the
Board of Trustess of North Carolina Agricultural & Technical State University

WHEREAS, the Board of Trustees of North Carolina Agricultural and Technical State University recognizes that the institution has historically been in the forefront of the quest for human justice and dignity, and

WHEREAS, the South African government subscribes to a system of apartheid, and

WHEREAS, the system of apartheid is inconsistent with democratic values and fails to recognize human dignity.

THEREFORE, BE IT RESOLVED that the Board of Trustees of North Carolina Agricultural and Technical State University hereby supports the divesture of foreign assets in companies doing business in South Africa and further endorses principles that the University's assets not be invested in companies doing business in South Africa.

_____
Chairman of the Board

_____
Date

_____
Secretary

NORTH CAROLINA
SCHOOL
OF THE
ARTS
THE UNIVERSITY OF NORTH CAROLINA

ice of the Vice Chancellor
Finance and Administration

RECEIVED
DEC 4 1985
DIVISION

November 27, 1985

Mr. Linwood Jones
Committee Counsel
General Research Division
Legislative Office Building
300 North Salisbury Street
Raleigh, N.C. 27611

Dear Mr. Jones:

This is in reference to your letter of November 13, 1985 on behalf of the N.C. School of the Arts, we have no indication currently that we have specifically invested in funds with South African business interests. All funds invested by entities within or related to the School are currently of a highly diluted and diversified nature within the State Treasury, pooled charitable funds and so on.

We are currently in the process of liquidating a majority of our Foundation funds in the hopes of pooling the funds and placing them with an investment firm. At the time this occurs, we will bring the matter of South African business interests to the board members so that we may address this situation with any counsel investment firm which we may select. We want to thank you again for your giving us the opportunity to make our comments.

If you should need any further information, please feel free to contact our office.

Sincerely,

Randolph E. Fehr
Vice Chancellor For Finance/Administration

REF/mlc

CC: Chancellor Milley
Sam Stone
Roger Richardson

North Carolina State University
Box 7201, Raleigh 27695-7201

Vice Chancellor

Office of Finance and Business

RECEIVED
DEC 5 1985

December 2, 1985

Mr. Linwood Jones, Committee Counsel
General Research Division
Legislative Office Building
300 North Salisbury Street
Raleigh, North Carolina 27611

Dear Mr. Jones:

As requested in your November 11, 1985 letter, I am enclosing the following items relating to South African Investments:

1. "Eighth Report On The Signatory Companies." This report was given to our Board of Trustees of the Endowment Fund for their review.

2. A copy of a resolution adopted by the Board of Trustees of the Endowment Fund regarding divestiture of funds in corporations that do not support the Sullivan Principles.

I hope this information will be helpful to you. If you have any further questions, please let me know.

Very truly yours,

George Worsley
Vice Chancellor for
Finance and Business

GW/jw

Enclosures

RESOLUTION

WHEREAS, the Board of Trustees of the Endowment Fund of North Carolina State University at Raleigh recognizes that its primary fiduciary responsibility is investing and managing the University's endowment in a manner that maximizes the return on those investments while it minimizes the amount of risk to which the endowment portfolio is subjected; and

WHEREAS, the Board of Trustees of the Endowment Fund also believes in the fundamental human rights of all people, including the right to enjoy full citizenship and equal opportunity in the economic, social, cultural and educational activities of their country; and

WHEREAS, the system of apartheid practiced in South Africa violates the basic human rights of the majority of its people to such a significant degree that the Board feels a moral obligation to exercise some judgments regarding investing in corporations that operate in South Africa; and

WHEREAS, the failure of such corporations to encourage the dismantling of the apartheid system not only contributes to the violation of human rights, but also jeopardizes the security of the corporations' operations in South Africa; and

WHEREAS, the Board of Trustees of the Endowment Fund genuinely desires to see improvements in the quality of life and employment of non-white South Africans; and

WHEREAS, the principles proposed by the Rev. Leon H. Sullivan in 1977, and amplified in 1979, have been generally acclaimed as promoting an equitable balance between the opposition to apartheid and the advocacy of economic progress for non-white South Africans;

THEREFORE, BE IT RESOLVED THAT the Board of Trustees of the Endowment Fund of North Carolina State University at Raleigh recognizes the Sullivan Principles as a guide for determining a company's commitment to the advancement of citizenship and equality espoused above; and

BE IT FURTHER RESOLVED THAT the Treasurer and the Fiscal Agent, in applying the investment principles for the Endowment Fund's portfolio, will be guided by the Sullivan Principles and/or other appropriate corporate policies embodying the essence of the Sullivan Principles; and

BE IT FURTHER RESOLVED THAT divestiture of securities of corporations not willing to support the Sullivan Principles and/or other appropriate corporate policies embodying the essence of the Sullivan Principles will be achieved in an orderly and prudent manner.

ADOPTED UNANIMOUSLY by the Board of Trustess of the Endowment Fund of North Carolina State University at Raleigh on November 8, 1985

FOUNDATION
UNIVERSITY OF NORTH CAROLINA AT ASHEVILLE

November 19, 1985

Mr. Linwood Jones
Committee Counsel
General Research Division
Legislative Office Building
300 North Salisbury Street
Raleigh NC 27611

Dear Mr. Jones:

Your letter of November 13, 1985 to Mr. William H. Pott, Vice Chancellor for Finance, has been referred to me for a reply.

Our Foundation's Investment Committee is currently involved in a study of our investment portfolios relative to any holdings of this nature.

If you need additional information we shall be happy to respond.

Sincerely,

Alfred O. Canon

Alfred O. Canon
Secretary, UNCA Foundation
and Vice Chancellor for
University Relations

ph

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NOV 22 1985
GENERAL RESEARCH DIVISION

ONE UNIVERSITY HEIGHTS / ASHEVILLE, NORTH CAROLINA 28804-3299

THE UNIVERSITY OF NORTH CAROLINA
AT
CHAPEL HILL

Office of the
ancellor for Business and Finance

The University of North Carolina at Chapel Hill
211 South Building 005 A
Chapel Hill, N C 27514

December 4, 1985

RECEIVED
DEC 10 1985
GENERAL LEGISLATION

Mr. Linwood Jones
Committee Counsel
General Research Division
Legislative Office Building
300 N. Salisbury Street
Raleigh, N.C.

Dear Mr. Jones:

In response to your letter of November 13, 1985, we are pleased to send you a brief history of South Africa considerations by our Endowment Board and some general comments.

Before addressing the specifics of South Africa investments, it is pertinent to review previous issues of "social investing." In the 1950s, many banks and insurance companies would not invest in "sin" stocks and bonds or companies with tobacco, alcohol, or gambling operations. Then pollution became an issue with divesting of "smokestack" companies. During the 1960s, companies making bombs and napalm were avoided. In each case, the investors received publicity, felt as if they were investing with a clear conscience, but had little impact on events. There is one significant difference between earlier social issues and divestiture in South Africa related-stocks--earlier issues dealt with a very small segment of the available investment securities so portfolio managers could invest with practically no constraints. With South Africa issues, however, approximately one-third of the S&P 500 stocks could be declared unavailable for investment.

There are two costs associated with divestiture--transaction cost and risk. Transaction costs are incurred whenever securities are purchased or sold. If stocks are sold and the proceeds reinvested, commissions are incurred on the sale and the subsequent purchase resulting in a one-time double commission charge on the transaction. The second cost represents risk or the potential reduction in return associated with a smaller list of investment alternatives. Indeed, with one-third of the stocks included in the

Standard & Poor's 500 Stock Index being excluded, the choice is dramatically reduced. In addition, several industry groups would be substantially eliminated from investment opportunity since many of the companies doing business in South Africa are concentrated in the same industries. By eliminating the larger, more stabilized companies, an investor is left with the smaller, less stable companies with more volatile earnings and stock prices (Attachment 1). A number of studies have been conducted in recent years to determine if investment returns would suffer under a total divestment objective. Such studies which indicate that portfolio performance would not be hurt; however, this time period has been a very good one for the stock market with many smaller companies outperforming the larger ones. This may not be the case in the next five years.

Would divestment help or hurt? Proponents say it would force American companies to cease operations, economic activity would decline, and the South African government would be forced to change its apartheid policy. Opponents reason that American companies help the economy by providing jobs for blacks as well as education and training opportunities and that divestment will not have an impact on the government anyway.

The most effective way the United States can effect change in South Africa is through our government's actions. The Administration has enacted limited sanctions after much political pressure (Attachment 2). The scope and depth of these sanctions is very limited with an expected minimal impact. The result has been a frustration on the part of some Americans to "do something" with the only perceived outlet being divestiture of stocks from American portfolios. The investment of American companies in South Africa is quite small both from the standpoint of total investments abroad and as a percent of total investment in South Africa. At best, divestiture represents a symbolic gesture rather than action to accomplish the objectives of the initiators.

On February 21, 1985, the Board of Trustees of the Endowment Fund of The University of North Carolina at Chapel Hill passed a resolution to formally recognize a policy which had been followed for over a year; i.e., to not own stock in companies with operations in South Africa unless such companies are signatories of the Sullivan Principles (Attachment 3). On November 14, 1985, the UNC-CH Anti-Apartheid Support Group requested additional measures be taken. The Endowment Board decided against enacting their request (Attachments 4 and 5). On November 15, 1985, the Faculty Council passed a narrower resolution asking the school to divest of its holdings in companies doing "direct and extensive business with the government of South Africa" (Attachment 6). The Endowment Board will consider this resolution at the next meeting.

While we all deplore the situation in South Africa, it appears doubtful that divestiture will make much of a difference. The Endowment Board has taken positive steps by not investing in companies that are not Sullivan signatories. They will also address the new resolution passed by the Faculty Council to divest of stock in U.S. companies doing significant and direct business with the South African government. While the State Legislature may wish to address the issue for funds invested by the State, our leading colleges and universities have already addressed the issue and have established policies governing those funds for which they are primarily responsible. Accordingly, we would hope that any action taken by the Legislature would apply only to funds invested by the State and would not be binding on statutorily-created boards such as the endowment board of trustees.

Sincerely,

Farris W. Womack

Farris W. Womack
Vice Chancellor

FWW/dc
Enclosures

RESOLUTION
Board of Trustees of the Endowment Fund
The University of North Carolina at Chapel Hill

WHEREAS the Endowment Board over a period of several months in 1984, thoroughly examined its investment policy in respect to the ownership of stock of U.S. companies operating in South Africa, and

WHEREAS the Board concluded that ownership of stock in U.S. companies operating in South Africa which were also signatories of the Sullivan Principles was preferable to a policy of complete divestiture, and

WHEREAS the Board instructed the administration to investigate ways and means of determining on a continuing basis, which companies were committed to the Sullivan Principles, and

WHEREAS the Board is satisfied that the means of objectively identifying such companies is available to the administration,

BE IT THEREFORE RESOLVED that:

(1) The University endowment shall not own stock in companies with operations in South Africa unless such companies are signatories of the Sullivan Principles.

(2) The University shall subscribe to the Investor Responsibility Research Center, Inc. publications in order to monitor the activities of its portfolio companies with operations in South Africa.

(3) The Board deplores the racial exploitation of human beings in any form and fervently hopes that those U.S. companies committed to racial justice will exert a positive force for peaceful change in South Africa.

Note: Adopted February 21, 1985

UNCC
The University
of North Carolina
at Charlotte

Charlotte, N.C.
28223

Vice Chancellor for
Business Affairs

704/597-2234

RECEIVED
NOV 26 1985
GENERAL RESEARCH DIVISION

November 22, 1985

Mr. Linwood Jones, Committee Counsel
General Research Division
Legislative Office Building
300 North Salisbury Street
Raleigh, North Carolina 27611

Dear Mr. Jones:

In response to your letter of November 13 requesting information on UNCC funds invested with South African investors, please be advised that UNCC's investments are currently all in U.S. Government Securities. The University of North Carolina at Charlotte maintains approximately $935,000 of endowment funds with First Union National Bank as fiscal agent. Our present fiscal agent contract, copy attached, does not preclude the agent from purchasing debt instruments from companies who transact business with South Africa.

Other special funds maintained by the University are invested in short-term money market funds which are secured by U.S. Government Obligations or by promissory notes with either First Union Corporation or NCNB National Bank.

Sincerely,

Leo E. Ells
Vice Chancellor for Business Affairs

LEE:cr

Attachment

O-17

THE UNIVERSITY OF NORTH CAROLINA
AT GREENSBORO

Office of the Vice Chancellor
for Business Affairs
(919) 379-5822

December 12, 1985

Mr. Linwood Jones, Committee Counsel
General Research Division
Legislative Office Building
300 North Salisbury Street
Raleigh, North Carolina 27611

Dear Mr. Linwood:

This is in response to your letter of November 13, 1985 concerning the issue of divestment from companies with South African exposure.

The University Investment Committee at its meeting on December 10, 1985 took the following specific actions related to this issue.

1. The University Investment Committee of The University of North Carolina at Greensboro deplores the apartheid policy in South Africa and any other policy anywhere in the world which violates human rights and results in exploitation or oppression of our fellow man. To resolve the tensions brought about by the necessity of performing our fiduciary responsibilities without ignoring our moral, ethical and social obligations to our fellow man, the following actions are hereby taken:

   (a) Publicly state our support for the Sullivan Principles

   (b) Join the IRRC, a study group which, among other things, provide a reporting service on compliance of American companies with the Sullivan Principles

   (c) Carefully review and respond to shareholder resolutions regarding social issues, corporate governance, and South African policy.

2. Directed Harbor Capital Management Company, Inc. to sell investments in Cadbury Schweppes and Dun & Bradstreet Corporation; these being non-signatories of the Sullivan Principles.

I am attaching for your information some reports that were made available to the Committee during its deliberations. These are as follows:

1. Remarks by William G. Bowen at Forum on University Investment in Companies Any Part of their Business in South Africa;

2. Statement on Investment Policy by President Bok of Harvard University;

3. Cambridge Associates, Inc. review of the Investment Implication of Selective Investment Restrictions and;

4. The Journal of Portfolio Management Article, Divestment of South African Equities: How Risky?.

If you will let me know when the committee is meeting I will attend if it is possible.

Sincerely,

Fred L. Drake

Fred L. Drake
Vice Chancellor

FLD/pb

Enclosures

D-19

University of North Carolina

at Wilmington

28403-3297

R.O. Walton, Jr.
Vice Chancellor
for Business Affairs

(919) 395-3139

November 21, 1985

Linwood Jones
Committee Counsel
General Research Division
Legislative Office Building
300 North Salisbury Street
Raleigh, North Carolina 27611

Dear Mr. Jones:

The Board of Trustees of the Endowment Fund are not actively considering disinvestment in those companies which do not agree to the Sullivan Principles.

We have continued to follow the discussion and trends in regard to South African question. Future investments will follow the Sullivan Principles and disinvestment will be done over time.

Disinvestment in South Africa may be a worthy goal. However, I believe that we must do so while protecting the investment of the State.

Please keep me advise of the Committee's deliberations.

Very truly yours,

R. O. Walton, Jr.

ROW/bah

RECEIVED

NOV 22 1985

GENERAL RESEARCH DIVISION

WESTERN CAROLINA UNIVERSITY

CULLOWHEE, NORTH CAROLINA 28723

E VICE-CHANCELLOR
AFFAIRS

DEC 10 19

December 5, 1985

Mr. Linwood Jones
Committee Counsel
Legislative Research Commission
State Legislative Building
Raleigh, NC 27611

Dear Mr. Jones:

This is in response to your inquiry of November 13, 1985, concerning investments in South Africa.

Some time ago, the University surveyed its investments and those of a separately incorporated Development Foundation that supports the University. That survey revealed limited holdings in only three companies that do business in South Africa. We then established that all three companies are signatories to the Sullivan Principles.

Our present thinking is to retain these holdings, subject to normal market considerations. Further, we expect subscription to the Sullivan Principles to be a required condition for retention of holdings the University may acquire in the future. This criterion has not been formally adopted by the various boards that have purview over investments of benefit to Western Carolina University. However, these boards are expected to consider such adoption in the near future.

Please let me know if I can assist you further.

Cordially yours,

C. J. Carter
Vice Chancellor for
Business Affairs

APPENDIX E

E

State of North Carolina
Department of State Treasurer
Investment and Banking Division

RECEIVED
NOV 15 1985
GENERAL RESEARCH DIVISION

HARLAN E BOYLES
TREASURER

C DOUGLAS CHAPPELL
DEPUTY TREASURER

May 24, 1985

MEMORANDUM

TO: Honorable Harlan E. Boyles
State Treasurer

FROM: C. Douglas Chappell, Director
Investment and Banking Division

SUBJECT: Potential impact of House Bill #744 (A bill to Prohibit Investment in Companies Involved with South Africa)

We have attempted to identify the impact of this bill if enacted and offer the following which is formated as a series of questions and answers:

1. From what companies and financial institutions would disinvestment be required?

   As of the end of the last calendar quarter, March 31, 1985, we have identified some 61 corporations which are said to be doing business in or trading with South Africa, among the securities which are held in the State's investment portfolio. Fifty three of these compaines are in our Equity Investment Fund. Twenty three are in our Long-term Investment Fund.

   We have no way of knowing which North Carolina financial institutions have loans to or associations with South Africa. Therefore, we do not at present know what the impact would be in relation to banking relationships. The potential impact would involve the clearing of State warrants, certificates of deposit, repurchase agreements and equity advisor relationships.

2. Which ones subscribe to the Sullivan Principles?

   Forty four of the fifty three companies in the equity portfolio are subscribers while twenty two of the twenty three in the bond portfolio are subscribers.

3. How much money, and what proportion of the portfolios would be involved in disinvestment?

   $734,300,000 from the equity portfolio, equaling some 35% of the portfolio. Twenty-nine percent of the portfolio (companies) are subscribers to the Sullivan Principles. $741,758,000 from the bond portfolio, representing 16% of all the corporate issues. All but one of these are Sullivan subscribers.

   In addition, we own in excess of $1.8 billion in U. S. Government securities in the long-term bond fund and over $1.8 billion in U. S. Government securities in the short-term bond

E-2

fund. The reason for including these securities in this response is that the U. S. Government also has involvement in South Africa. As an example, the U. S. Government imports some 40% of its Chrome Ore from South Africa. Pure chrome is used to form a superalloy for use in jet engines, missiles or other high-stress applications. In other words, a vital part of our defense system.

On this basis over 50% of all investment assets would be sold.

4. What are the anticipated costs of disinvestment to the State and to the pension fund beneficiaries?

At a minimum in excess of $3 million in brokerage charges on the sale and purchase of stocks alone; we would be selling 19.3 million shares of stock and buying considerably more shares (because of the per share price difference). Eleven million dollars in bond brokerage charges would be sustained in the selling and reinvestment of bond proceeds.

5. What is the potential monetary cost to the State between what would be earned without disinvestment and what would be earned with it (the difference needing to be made up or funded by the taxpayers of North Carolina)?

As a replacement for the $741,758,000 in corporate bonds that would be sold it is estimated that we would have to repurchase $1,148,075,000 in various fixed-income instruments in order to maintain the same cash flow.

The difference of $406,317,000 would be in addition to the $14 million plus identified in #4 above as brokerage charges.

The corporate portion of the portfolio would decline in quality from 97% "AA or better" to 80% "AA or better", while "single A" positions will rise from 3% to 20% as a result of the new investments being made in lesser capitalized companies, less liquid and lower quality securities.

The expected loss of (or decrease in) investment earnings will either decrease employee benefits or increase employer appropriations.

6. What are other known impacts on the State, of this bill?

As was briefly alluded to in the last response above, the act of selling is only the first step in a series of events. Liquidity, quality and income are all compromised under this concept. As an example, 91% of the international oil companies listed in the S & P 500 have direct investments in South Africa, as do 90% of the office equipment companies, 89% of

the drug companies, 88% of the chemical companies, and 89% of the auto manufacturing companies. The point being, where are the proceeds generated by the sale going to be reinvested?

Corporations with South African involvement have over 23,000 workers employed in North Carolina and there are over 16,000 civilians employed on military bases in our State. In addition there are many thousands of U. S. Government workers in the Departments of Agriculture, Education, Internal Revenue, EPA and the military whose employment in this state could be impacted by the action called for in this bill.

From a recent publication Disinvestment: Is it Legal? Is it Moral? Is it Productive? by the National Legal Center for the Public Interest located in Washington, D.C. we find that the arguments opposing disinvestment fall into two categories. First, the decision by a municipality or university to divest itself of holdings in companies doing business with unpopular regimes, but otherwise doing well financially, risks running afoul of the clearly defined parameters of fiduciary responsibility. Funds being held in trust for others (such as pension funds or endowments) cannot be squandered to make a political statement, however worthy, no more than they could be used to further other noble causes such as alleviating world hunger. The responsibility of the trustee is to insure that the funds in his charge receive the greatest legal return on their investment. While latitude is allowed in decision making, it is in the realm of business judgement and not in that of moral selectivity. Arguably, therefore, disinvestment for reasons other than business acumen is a breach of fiduciary responsibility.

The second category of argument is drawn from the U.S. Constitution itself. Briefly put, the power to conduct foreign affairs resides in the federal government alone; any encroachment upon this power by localities could be seen as a violation of important constitutional principles. Since such disinvestment initiatives are almost always at odds with the offical stances of the federal government, and since they often overtly attempt to influence foreign activity, such political undertakings conceivably cannot withstand constitutional muster. Similarly, the constitutional prohibitions against states interfering with commerce beyond their borders are particularly acute, when their interference involves a foreign nation.

CDC/tb

State of North Carolina
Department of State Treasurer
Investment and Banking Division

HARLAN E. BOYLES
TREASURER

C. DOUGLAS CHAPPELL
DEPUTY TREASURER

September 26, 1985

MEMORANDUM

TO: Tom Covington, Director
Fiscal Research Division
General Assembly

FROM: C. Douglas Chappell, Director
Investment and Banking Division
Department of State Treasurer

SUBJECT: Investments in Financial Institutions With Loans Outstanding to South Africa.

On September 19th, during our routine quarterly report on investment activities made to the Joint Legislative Commission on Governmental Operations, we were asked to determine if any financial institution in which we have investments had any outstanding loans to South Africa.

An analysis of our portfolios reveal the following. Our Short-term Investment Fund has, from time to time, investments in NCNB National Bank of North Carolina as indicated below:

(1) Bankers Acceptances
(2) Certificates of Deposit
(3) Repurchase Agreements

According to data prepared by the Investor Responsibility Research Center located in Washington, D.C. which is dated January 1985 (they have no later statistics) NCNB Corporation had loans outstanding to the South African government and to South African state-owned corporations.

Our Equity Investment Fund has investments in BankAmerica Corporation. The same source referred to above, indicates loans outstanding to South Africa state-owned corporations.

To the best of our knowledge we have no other investments in financial institutions with similar loans outstanding.

CDC:cw

325 NORTH SALISBURY STREET, RALEIGH, NORTH CAROLINA 27611

State of North Carolina
Department of State Treasurer
Investment and Banking Division

YLES

C. DOUGLAS CHAPPELL
DEPUTY TREASURER

March 10, 1986

MEMORANDUM

TO: Harlan E. Boyles
State Treasurer

FROM: C. Douglas Chappell, Director
Investment and Banking Division

SUBJECT: Updated Statistics Regarding Potential Impact of House Bill 744

The information contained in this memo was calculated using December 31, 1985 statistics.

1. From what companies and financial institutions would disinvestment be required?

The list comprised some 54 companies at the end of last year (December 31, 1985). Forty-seven of these companies were held in the Equity Investment Fund and are identified below:

Abbott Laboratories
American Home Products
American International Group
American Express
Baxter Travenol
Bristol-Myers Co.
Borden, Inc.
Borg-Warner Corp.
Caterpillar Tractor
Coca-Cola Co.
DuPont (E.I.)
Dresser Industries
Dart & Kraft, Inc.
Dun & Bradstreet
Dow Chemical Co.
Eastman Kodak
Exxon
General Electric
General Motors Corp.
General Motors Class H
Gillette Co.
Goodyear Tire & Rubber
Honeywell Inc.
Hewlett-Packard Co.
IBM
Johnson & Johnson
McGraw-Hill Inc.
Minnesota Mining & Mfg. Co.
Mobil Corp.
Motorola Inc.
Merck & Co.
Monsanto Co.
NCR Corp.
Pepsico Inc.
Pfizer Inc.
Parker Hannifin Corp.
Phibro-Salomon Inc.
Raytheon
Smithkline Beckman
Squibb Corp.
Sperry Corp.
Tenneco Inc.
Union Carbide Corp.
United Technologies
Warner Communications
Westinghouse Electric
Xerox Corp.

Fourteen companies were held in the Long-term Investment Fund and are identified below:

Abbott Laboratories
Conoco, Inc.
DuPont (E.I.)
Exxon Pipeline
General Electric Co.
General Electric Credit Co.
General Motors Acceptance Co.
General Motors Corp.
IBM
Kellogg Co.
Kimberly-Clark Co.
Lislewood Corp.
(Western Electric Co.)
Minnesota Mining & Mfg. Co.
Reynolds (R.J.) Ind.

The impact relating to financial institutions is, to the best of my knowledge, the same as identified in the attached memorandum dated September 26, 1985. The potential and primary impact would be in Short-term Investment Fund and the Equity Investment Fund as indicated below:

STIF	EIF
NCNB	Bank of America

2. Which of the companies identified in question number 1 above do not subscribe to the Sullivan Principles?

In the Equity Investment Fund, we find only one non-signatory company, Parker-Hannifin Corp. All of the companies represented in the Long-term Investment Fund are signers.

3. How much money, and what proportion of the portfolio, would be involved in disinvestment?

$769,391,352 from the equity portfolio equaling some 39.3% based on cost, representing some 31.5% of the companies in the portfolio (47 of 149).

$947,060,000 from the Corporate bond portfolio which represents 21.4% of the portfolio based on cost and some 17% of the companies (14 of 82).

4. What are the anticipated cost of disinvestment to the State and to the pension fund beneficiaries?

At a minimum, in excess of $3,106,904 in commissions on the sale and purchase of stocks alone, since we would be required to sell 19,418,150 shares of stock. Over $3,044,150 in bond commission charges for the sell and purchase of bonds. The minimum commission charges for stocks and corporate bonds would be $6,151,054.

5. What is the potential monetary cost to the State between what would be earned without disinvestment and what would be earned with it (the difference needing to be made up or funded by the taxpayer of North Carolina)?

E-

A replacement for the $947,060,000 in corporate bonds sold would require a new purchase of $1,488,260,000 in various fixed-income instruments (according to an analysis by Salomon Brothers) just to maintain the present cash flow, now being generated by our present corporate bond investments.

The difference identified above of $541,200,000 would need to be added to the direct charges of $6,151,054 identified, as commissions, in number 4 above.

The corporate bond portfolio would decline in quality from 100% "AA or better" to 89.1% "AA or better". The "single A" percentage would increase from 0% to 10.9% as a result of the new investments into smaller capitalized, less liquid and lower quality securities.

A market yield "give-up" of 79 basis points would be realized. This translates into an annual yield difference of approximately $65,000,000.00.

CDC:rdb

Attachment

State of North Carolina
Department of State Treasurer
Investment and Banking Division

HARLAN E. BOYLES
TREASURER

RECEIVED
C. DOUGLAS CHA
DEPUTY TREASU
APR 25 1986
GENERAL RESEARCH DIVISION

April 24, 1986

MEMORANDUM

TO: Linwood Jones
Staff Counsel
Committee on State Investments in South Africa
North Carolina General Assembly

FROM: C. Douglas Chappell, Director
Investment and Banking Division
Department of State Treasurer

SUBJECT: Description of the business of Parker Hannifin

On April 18, 1986 during the Committee inquiry, Senator Conder asked if we would provide to him and the Committee a brief description of the Parker Hannifin Corporation and to advise if it has operations in North Carolina.

Parker Hannifin was identified as the only company appearing in our Equity Investment Fund as of December 31, 1985 that had not subscribed to the "Sullivan Principles".

In response to his inquiry we offer the following:

First: Parker Hannifin Corporation is the world's largest manufacturer of a complete line of fluid systems, components, and replacement parts for builders and users of durable goods. Parker Hannifin components control, connect, and operate systems in equipment in three major market areas: industrial, aviation/space/marine, and automotive. The company entered the biomedical field in 1981. Using its fluids systems technology, it is developing products to treat diabetes, rheumatoid arthritis and other illnesses.

Second: Parker Hannifin does have North Carolina divisions operating in Forest City, Greensboro, Kinston, Vanceboro, Wake Forest and possibly other areas. (I spoke to a member of the management team at the Roberk Winshield Wiper Facility in Vanceboro after identifying myself and the purpose of the call he, understandably, was not comfortable sharing statistics with me, therefore I did not determine all of the locations within the State in which Parker Hannifin has operating divisions nor how many people are employed.)

Reffering to an annual report in our files we find that Paul G. Schloemer is President and Chief Executive Officer. The address is 17325 Euclid Ave. Cleveland, Ohio 44112 and a phone number is 216/531-3000.

If may be of further assistance, please advise.

State of North Carolina
Department of State Treasurer
Investment and Banking Division

E. BOYLES
ASURER

November 26, 1986

C. DOUGLAS CHAPPELL
DEPUTY TREASURER

MEMORANDUM

TO: Linwood Jones
Staff Counsel
Committee on State Investments in South Africa
North Carolina General Assembly

FROM: C. Douglas Chappell, Director
Investment and Banking Division
Department of State Treasurer

CDC

SUBJECT: Response to your letter of November 18, 1986
Relating to South African Investments

Based on the best information available through October 31, 1986, no funds under management by the Department of State Treasurer are invested in any companies doing business in or with the Republic of South Africa which have not signed the Sullivan Principles.

CDC/KL: pds

APPENDIX F

Ninth Report
On the Signatory Companies
To the Sullivan Principles

October 25, 1985

INTERNATIONAL COUNCIL FOR EQUALITY OF OPPORTUNITY PRINCIPLES, INC.
1501 N. BROAD STREET • PHILADELPHIA, PA 19122 • (215) 236-6757 or 6758

BRIEF DESCRIPTORS OF NINTH REPORT
ON THE SIGNATORY COMPANIES TO THE SULLIVAN PRINCIPLES

We are pleased to respond to your request for the Ninth Report on the Signatory Companies to the Sullivan Principles. The Report has five sub-divisions: (1) the overview, (2) rating criteria, (3) company listings and ratings, (4) analysis of results, and (5) the appendix. The Report is lucidly written, and the three (3) figures and eighteen (18) tables adequately illustrate and complement the total text of this publication.

Your interest is appreciated, and we hope the Report will be useful to you.

Sincerely,

Daniel W. Purnell

Daniel W. Purnell
Executive Director

DWP/ef

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Ninth Report
On the Signatory Companies
To the Sullivan Principles

October 25, 1985

PART I. OVERVIEW

A. HIGHLIGHTS OF NINTH REPORT

During the Ninth Reporting Period, the Sullivan Program has progressed as follows:

- Number of Signatories grew by 50 percent.
- For the first time South African companies have become Signatories.
- All but one of the reporting units state that all facilities are desegregated.
- All but three reporting units meet minimum pay requirements.
- All reporting units indicate equal wages for equal work and uniform benefit plans.
- Contributions to community development showed dramatic growth.
- Signatories cited many instances of activity aimed at eroding apartheid regulations.
- Number of adopted schools increased by one third.
- Signatories cited increased instances of public denunciation of apartheid.
- The proportion of Blacks filling supervisory and managerial openings has dropped.

B. BACKGROUND

The Sullivan Principles (see facing page) are six principles that Dr. Leon H. Sullivan originally developed to guide American-owned companies operating in South Africa.

Signatories to the Sullivan Principles are companies that express commitment to the Principles by writing to Dr. Sullivan and commiting to submit an annual report. Companies headquartered anywhere in the world can become Sullivan Signatories. Beginning with the Eighth Report, at the initiation of the majority of the Signatories, financial support became an additional requirement. Annual assessments range from $1,200 to $8,400 per year depending upon worldwide sales.

This report discusses the current status of the program, and presents individual ratings of the companies and a summary analysis of the data collected. It should interest shareholders, government organizations, and other parties needing information to help them factor social responsibility into their investment and purchasing decisons.

There are numerous codes of conduct for businesses operating in South Africa. These have been promulgated by domestic South African organizations (e.g., SACCOLA), individual companies (both domestic and foreign), a group of countries (EEC), individual countries (e.g., Canada), and a U.S. code open to companies of all nationalities (Sullivan principles). To this array, a U.S. code was added by Executive Order in September 1985. Beyond national origin, these codes can be further classified as voluntary (e.g., SACCOLA, company, and Sullivan codes) or mandatory (e.g., codes by the EEC, Canada, and U.S. Executive Order).

The codes all include similar basic employment and social standards for the workplace. Most of the codes were announced in the late 1970s but few, if any, (other than the Sullivan code) were updated later to reflect the changes in needs and conditions in South Africa. Some, like the EEC's code, continue to place heavy emphasis on union recognition, but this issue is not as significant now as it was when the code was formulated because South African law has since been changed to permit unions for every race. The Sullivan code, through its Fourth Amplification (for example), has done the best job of keeping current with the rapid pace of social change in South Africa.

From the start, the Sullivan code placed emphasis on the living conditions of Blacks, Coloureds, and Asians outside the workplace. This was in recognition of the need to improve living conditions (i.e., living in family units, freedom of movement, health, and housing) and education at all levels, not just job skill training. The Sullivan code was the first to require companies to seek the dismantling of apartheid by lobbying the South African Government. This concept has since been recognized in the U.S. Executive Order.

The other major significant difference between the Sullivan code and all of the other codes is the rating requirement. From the outset, Dr. Sullivan had the foresight to insist on regular reporting by Signatory

companies. Reporting not only provides the basis for public information on the commitment to social programs by the companies operating in South Africa, but, as importantly, it causes each company to prepare and review a report on its own activities and to submit that report for an outside, independent assessment. This program is the only one which individually evaluates and rates companies on their social progress in South Africa. Non-reporting by a Signatory now results in being dropped as a member of the program.

Of the other codes, only the EEC code mandates reporting. Even in this case, however, only the British attempt enforcement and the performance of individual companies is not evaluated. The Canadian Government has a reporting procedure, but only one Canadian company out of 18* in South Africa reported last year. Thus, although there are several codes of conduct for companies of various nations operating in South Africa, only the Sullivan principles call for independent evaluation and rating of specific companies.

Dr. Sullivan first retained Arthur D. Little, Inc., in 1978 to assess the Signatories' participation in the program. Signatories report by completing a questionnaire prepared by Arthur D. Little, Inc. Before each response is submitted to Arthur D. Little, much of the quantitative information has been reviewed by the Signatory's outside auditor. Based on the information provided in the questionnaire, Arthur D. Little evaluates the Signatory companies, indicating the extent to which they have been successful in implementing the Principles. The questionnaire collects information to help track the aggregate performance of all Signatories, as well as to evaluate each individually. The questionnaire is updated annually: (1) to reflect changes in the program's basic requirements and rating focus, and (2) to gather information on new approaches the Signatories are using to implement the Principles. These revisions are based on inputs from Dr. Sullivan, and from U.S. and South African Task Forces made up of representatives from the Signatory companies. Inputs also result from annual visits to South Africa by Arthur D. Little staff.

The Sullivan reporting process provides companies with an evaluation of their efforts and a relative standard of comparison. The process identifies many specific requirements and standards which help bring reality to the rather general Principles themselves. Furthermore, the rating process is designed to provide incentives for annual increases in the collective level of performance by the participating companies.

This process has encouraged the Signatories to strive constantly for higher goals and has made their influence felt in South Africa far beyond that accorded by their proportion of the nation's total employment. Sullivan code standards have continually risen as a result of negotiation between the Signatories and Dr. Sullivan. Significantly, Signitories today are satisfying requirements which they would not have tolerated when the program was initiated. This is made possible by a dynamic, voluntary effort.

Further, review of the reports of new signatories invariably shows the necessity for such entrants to markedly increase the level of their social activities in South Africa in order to achieve a passing rating.

C. CHANGES IN THE RATING PROCESS

In the past, Signatories whose South African subsidiaries had few employees or which had minority ownership in their subsidiaries were not required to submit annual reports. Beginning this year, all Signatories with employees or equity ownership in South Africa are required to report annually, regardless of their number of employees or percentage of ownership. Signatories whose South African subsidiaries have fewer than 25 employees or who have less than 50 percent ownership in their subsidiaries were given the option of reporting on (1) the full length questionnaire or (2) an abbreviated questionnaire. However, to be a candidate for a top ranking, Category I, a company must file a full length questionnaire. Information from abbreviated reports makes it possible to gauge compliance with the basic requirements of Principles 1, 2, and 3 and to determine whether a reasonable effort is being made on programs related to Principles 4, 5, and 6.

In the spirit of continuing evolution, Arthur D. Little was authorized to make changes in the reporting format for the Ninth Cycle. A prime objective was to decrease attention on goals that have been

*IRRC Directory, December 1984

mplished in order to focus on new goals being iden-
d by the task forces of the Signatory companies,
to consolidate unnecessary detail while continuing
rovide the basis for individual company ratings.
task groups concerned with Principles 4, 5, and 6
e revised programs to encourage, but not make
ndatory, more focused effort by all Signatories. The
ctive was to concentrate on areas of greatest need,
ticularly where companies can have a considerable
act in the stimulation of social change.

For example, new areas of inquiry on the question-
re included the Fourth Amplification. The Fourth
plification was proposed by Dr. Sullivan, and its
al embodiment in the Statement of Principles was
result of negotiation between the companies and
n. In summary, the Fourth Amplification requires
gnatories to press the South African government
end the laws and regulations which constitute
artheid. A few companies have been tackling and
orting such activities but more widespread commit-
nt occurred with the adoption of this Amplification
December 1984. Since this occurred halfway
rough the Ninth Cycle reporting year, the require-
nt has not been mandatory, but in this cycle extra
edit has been given to those companies who initiated
levant response. Asking companies to interact
rectly with government adds an entirely new dimen-
on to the program, so additional evaluation criteria
e being evolved for the Tenth Cycle.

Further challenges and higher standards will be
troduced in the future as the result of similar pro-
sals and negotiations.

SUMMARY OF RESULTS

As of October 25, 1985, there were 178 U.S. Signa-
ries and 3 non-U.S. Signatories. This represented a
tal net increase of 53 Signatories to the Principles
Table 1). Of those Signatories that joined the program
the Ninth Reporting Period, 16 were reinstated Sig-
atories, 45 were new U.S. Signatories, and two were
ew non-U.S. Signatories. Signatories withdrawn from
he program included one Signatory which withdrew
rom South Africa and the Sullivan Program, two Sig-
atories which withdrew from the Sullivan Program
ut remained in South Africa, and five Signatories
which were dropped from the program for not report-
ng. Additionally, three signatories merged into one.

TABLE 1

CHANGE IN NUMBER OF SULLIVAN SIGNATORIES

Date	Number of Signatories
10/25/84	128
10/25/85	178 excluding 3 non-U.S. 66 Not required to report (new Signatories plus current endorsers) 112 Reporting

New Signatories are not required to report for rating purposes until the end of the first full fiscal year after they notify Dr. Sullivan in writing of their commitment to the Principles. Therefore, the Ninth Report results are for the 112 Signatories reporting on either full or abbreviated questionnaires.

These 112 Signatories reported on 146 corporate entities representing 190 subsidiaries. This represented a net increase of 14 reporting Signatories over the Eighth Report (Table 2). A corporate entity, for reporting purposes, can consist of one or more subsidiaries depending on the extent to which operations are under common management.

TABLE 2

REPORTING ENTITIES

	Eighth Report	Ninth Report
Signatories	98	112
Reporting Units	129	146
Subsidiaries	188	190

Of the 146 reporting units in the Ninth Report, 119 were assessed by the long form questionnaire and 27 were assessed by the short form (under 25 employees and/or less than 50 percent equity) (Table 3).

When evaluating Signatory performance, companies were not assigned to the three categories (I: "Making Good Progress," II: "Making Progress," and III: "Needs to Become More Active") in accordance with any predetermined quota. In fact, it is possible that all companies will eventually move into one of the passing categories, I or II. To assist in this process, over the

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TABLE 3

REPORTING CHARACTERISTICS

	Eighth Report	Ninth Report
Reporting Units	129	146
Short Form	12	27
Long Form	117	119
Subsidiaries	188	190
Short Form	12	32
Long Form	176	158

past two years Arthur D. Little representatives met in South Africa individually with nearly all of the Signatories which have been receiving "Needs to Become More Active" ratings. Most of these companies have made encouraging improvement although some still have not achieved a passing rating.

Table 4 summarizes the Ninth Report Signatory ratings determined by Arthur D. Little, Inc.

TABLE 4

NINTH REPORT
SUMMARY OF RATINGS*

Category	Number of Reporting Units 1984	1985
I. Making Good Progress	32	36
II Making Progress		
A. Assessed on Full Report	44	65
B. Assessed on Abbreviated Report	7	24
III Needs to Become More Active		
A. Received Low Rating	19	17
B. Did Not Pass Basic Requirements	3	4
TOTAL	105	146

*Signatories not reporting on a portion of their operations in South Africa are identified in the alphabetical listing of Signatories in Section IV of this report.

From one reporting period to the next, subsidiaries of Signatories may move from one category to another, and substantial tolerance should be shown for Signatories that move down by only one category. Because companies are rated in part in relation to each other rather than against an absolute standard, ratings may change over time. It is difficult — and possibly unfair — to judge a company on its rating in any single year; the pattern of its ratings over several years is more important.

E. COMMENTARY ON SIGNATORY PERFORMANCE

Observers of South Africa point to the major impacts of the Signatories there. The total employment of the reporting Signatories in South Africa is 62,656, less than 1 percent of the total economically active labor force. Yet, after the government made home ownership for blacks possible in the urban townships through the medium of 99-year land leases, employees of the Signatory companies held 1,701 leases (5 percent) of 34,384 in existence on June 30, 1984. Thus, the Black employees of Signatory companies are participating in the 99-year lease program at a rate approximately nine times greater than for the national labor force. The performance was made possible by aggressive initiative to educate employees on the merits of home ownership and to assist them with applications and financing.

With four exceptions, all of the reporting Signatories have been able to report that they now meet all the requirements of the first three Principles, including the amplifications of those Principles. Of the four exceptions, one Signatory failed to meet desegregation requirements and three Signatories failed to achieve the minimum entry wage for one or more of their subsidiaries. Failing to meet minimum pay requirements is a particularly vexing problem because two possible solutions are mechanization, which would eliminate many jobs, or closing, which would eliminate all jobs. This is a very real dilemma for labor-intensive businesses which are serving the local market and competing against companies which are not trying to meet the standards of the Sullivan Principles. Continuing effort is being devoted to finding practical solutions that recognize the need to provide wages reasonably above the subsistence level. Note that the South African government sets no minimum wage.

On Principles 4, 5, and 6; Signatories show increased commitments of rand expenditures and personnel, although most Signatories continue to be affected by the recession in South Africa. The annual reporting

requirement and evaluation has encouraged Signatories to steadily increase their level of participation in implementing the progam required by the Principles. For example, there has been a yearly upward trend in the giving of money by the companies for both education and community development. This year the increases, calculated as a percentage of payroll, significantly exceed prior years. Because Signatories are scored relative to each other, it took a substantially higher contribution as a percentage of payroll to achieve the same level of credit this year as compared to last year.

The increase for community development is especially large this year. Three factors have had significant impact. First, the community development, health, and housing task groups in South Africa have been particularly active in searching out opportunities. Second, an increasing number of South African recipient organizations have obtained U.S. Federal tax exemption under Section 501(c)3 of the Internal Revenue Code, which facilitates donations from U.S. parent companies. Third, contributions in dollars have been credited at the low rand exchange rate of two rands per dollar in effect on June 30.

Some companies are continuing to experience poor financial performance due to the recession. Many of them have resisted pressure to reduce staff and have increased their man-days effort in the form of employee-days to effect change in education and the community even though it was not possible to increase monetary giving.

Signatory response to the Fourth Amplification has shown most dramatically that, for U.S. companies, doing business in South Africa is not business as usual. Companies which would not normally oppose government regulations in a foreign country where they operate now find it necessary and prudent to encourage the dissolution of apartheid. They are finding a wide variety of issues to press with the South African Government in the interests of maintaining and building the local economy.

The relatively higher level of social performance by the Signatories is all the more commendable when one realizes that they are competing, for the most part, with other companies in the South African market. (Essentially, only the Signatories in the minerals industry sell their products beyond Southern Africa.) The competition is largely with domestic South African, European, and Japanese firms. Thus, it is a misconception to think that American companies are in South Africa to take advantage of low wage rates; in fact, substantial evidence shows that the Signatories, as a general rule, are the highest entry level wage payers. Other firms are complaining that the Signatories are upsetting the labor market with their higher minimum wage rates and benefits. Those other employers report that some of the best people are gravitating to Signatory companies. This is but one example of the ripple effect of Signatory activities.

The major disappointment in this most recent reporting period has been the reduction in the proportion of new job openings filled by Blacks, Coloureds, and Asians. Only 61 percent of new hires and promotions were filled by Blacks, Coloureds, and Asians — a drop of 6 and 13 percent from last year and the previous year, respectively. An especially sharp drop occurred in the vacancies for supervisors that were filled by Blacks, which declined from 26 percent last year to 18 percent this year. The greater availability of experienced supervisors in the market due to the recession may be inhibiting the appointment of less experienced Black supervisors.

With the large influx of new Signatories and the new requirement this year that all Signatories must report, information is now becoming available about South African companies in partnership with U.S. Signatory companies. Because these non-U.S. companies have relationships with Signatory companies, they are being induced to improve their standards. As an example, several Signatories were not required to report this year but did submit trial questionnaire responses. Each of these companies received failing scores for activities related to principles 4, 5, and 6, with scores ranging from 2 to 16 out of 60 available points. To meet the minimum pay standard of the Sullivan program, one new Signatory had to institute a 25 percent pay raise for its lowest paid people.

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PART II. PERFORMANCE EVALUATION METHODOLOGY

A. INTRODUCTION

New Signatories are not required to report for rating purposes until the end of the first full fiscal year after they notify Dr. Sullivan in writing of their commitment to the Principles. All other Signatories are required to report annually.

A Signatory must complete a full report for evaluation if its South African subsidiary has 25 or more employees or it has 50 percent or more equity in the South African subsidiary. A Signatory may elect to complete a short form report for evaluation if its South African subsidiary has fewer than 25 employees or holds less than 50 percent equity in its South African subsidiary. However, in order for a Signatory to demonstrate performance commensurate with Category I companies, it must file a full length questionnaire for evaluation.

The rating system for the Ninth Report has been designed to accomplish six objectives:

- To be as fair and equitable as possible;
- To measure those Signatory efforts to implement the six Principles that can be evaluated for each company each year;
- To distinguish among different levels of progress being made by the individual Signatories;
- To take into account each company's size, location, and industry;
- To consider special circumstances affecting individual companies; and
- To be understood easily both by Signatories and by readers of this progress report.

As in past reports, the rating system measures a Signatory's progress in relation to the progress of other Signatories. The South African social situation is changing, and the Signatories' sizes and types of business show great diversity. Therefore, except for the basic requirements discussed below, it has not been possible to specify absolute standards that must be met for automatic inclusion in any one of the three major rating categories.

In the Ninth Report, for both long form and short form reports, Signatory performance was evaluated in a two-tier manner:

- Signatories were required to meet nine "basic requirements" pertaining to Principles 1, 2, and 3.
- Signatories were required to participate in three action areas related to Principles 4, 5, and 6:
  - — Education,
  - — Training and Advancement, and
  - — Community Development.

B. BASIC REQUIREMENTS (Principles 1, 2, and 3)

Each Signatory company is required to meet nine criteria known as "basic requirements." These basic requirements evaluate how a Signatory has implemented Principle 1 (non-segregation of all facilities), Principle 2 (equal and fair employment practices for all employees), and Principle 3 (equal pay for equal work). The basic requirements are evaluated in a binary fashion, a Signatory passes each basic requirement or it does not. This approach enables employees to monitor performance. The basic requirements are:

1. Freedom of Association

The company supports the elimination of discrimination against the rights of Blacks to form or belong to Government-registered or unregistered unions; it acknowledges the right of Black workers to form their own unions or to be represented by trade unions where unions already exist.

2. Benefits

All benefits available to Whites are also available to other races, and the benefits for Blacks, Coloureds, and Asians are at least equal to those for Whites. An exception is health care, where the

benefits are technically equal, although the institutions providing the services may be administered separately.

3. **Equal Pay**

The company pays all employees equally for doing equal or comparable work for the same length of time.

4. **Minimum Pay**

The company has an entry base pay for all employees that is at least 30% greater than either:

- The University of South Africa's (UNISA) Minimum Living Level (MLL) for a family of 5 or 6; or
- The University of Port Elizabeth's Household Subsistence Level (HSL) for a family of 5 or 6

Companies operating in defined rural areas must pay at least the MLL or HSL and achieve the 30 percent premium within 5 years by regular annual pay increases.

5. **Communication**

The company ensures that all employees see the Statement of Principles in a language that they understand and become aware that the company is a Signatory.

6. **Rating**

The company agrees to make its rating category in the Ninth Report known to all employees and to review the rating with representative groups of employees

7. **Review**

The company agrees to review the implementation of the Principles with representative groups of employees several times each year.

8. **Desegration**

All Signatories' facilities are available to all races.

9. **Review by Accounting Firm**

All long form reports provided by publicly held Signatories must be reviewed by their accounting firm(s) to verify the accuracy of the information provided in selected numeric questions of the report.

This requirement's primary purpose is to strengthen the overall credibility of the Sullivan Principles reporting effort by having outside entities verify the accuracy of selected numeric portions of the questionnaire information.

Four items of information were required to be verified in the Ninth Report:

- Total payroll;
- Total employment;
- Percent by which lowest paid employee's pay exceeds the MLL HSL; and
- Total expenditures made for education and community-development programs.

Accountants were not expected to make judgments about (1) issues such as the extent of desegregation or equality of benefits, or (2) narrative information provided by Signatories on other qualitative issues.

C. REQUIRED ACTION AREAS (Principles 4, 5, and 6)

For Signatories who pass the nine basic requirements which encompass Sullivan Principles 1, 2, and 3, the rating process measures how each individual reporting unit has progressed toward implementing Principles 4, 5, and 6 in relation to three action areas:

- Education for Non-employees;
- Training and Advancement; and
- Community Development.

Signatories submitting full length detailed questionnaires are evaluated and assigned quantitative and qualitative scores in each of the three action areas. This is because some criteria lend themselves well to quantitative data analysis, while others can be judged only by qualitative interpretations that take into account special circumstances. Signatories opting to submit short form questionnaires as outlined in the Introduction of this Section are assessed in these three action areas on a qualitative basis only.

Potential quantitative and qualitative points were distributed among the three action areas as follows:

Area	Maximum Quantitative Points	Maximum Qualitative Points	Total Points
Education for Non-Employees	10	10	20
Training and Advancement	10	10	20
Community Development	10	10	20
			60

To make possible equitable comparisons among companies of different sizes, quantitative ratings were based on ratios calculated by dividing the specific factor to be evaluated (number of rand spent; number of Blacks, Coloureds, and Asians trained; etc.) by a measure of the reporting unit's size (the payroll in rand or the total number of Black, Coloured, and Asian employees). All ratios were rank-ordered to determine a Signatory's standing in relation to other Signatories.

To make qualitative interpretations, responses to several questions in each of the three areas were evaluated. A minimum of two people from a group of five read each Signatory report and independently assigned scores. Differences between ratings were discussed and resolved on a question-by-question basis. This method of analysis allowed the raters to consider a wide variety of special situations —including size, industry, location, and economic condition of an individual Signatory Company — and to reflect in the qualitative ratings those activities that could not be measured in rand or numbers of people.

Although no company could obtain credit for more than 10 qualitative points in an area and points were not transferred among areas, diverse efforts by Signatory companies were accommodated during the rating process. In Education for Non-employees, for instance, a Signatory could earn substantial credit for a strong Adopt-A-School effort. A Signatory without this specific program could, however, still earn a top rating (10 qualitative points) for education if it had other, very strong educational programs.

1. Education for Non-Employees

In the area of education for non-employees, quantitative points were based on the relation between the reporting unit's total payroll and its rand contributions to primary, secondary, technical, and university programs that benefit Black, Coloured, or Asian South Africans. These programs include, but are not limited to: Teacher Opportunity Programmes (T.O.P.S.), Pace College, Winter School, Education Information Center, St. Barnabas, Institute of International Education, technikons, and universities. Contributions made to Adopt-A-School programs and to non-skilled training were also counted in calculating this ratio.

Qualitative-point assignments were based on a combination of factors that included:

- Extent of participation in Adopt-A-School in relation to a Signatory's size (number of students assisted, type of non-monetary support provided, extent of Signatory-employee involvement with the schools adopted), and extent to which the Signatory has been able to encourage additional government support for schools it has adopted.

- Range of other education programs assisted, number of students benefiting, and extent to which non-financial help has been provided.

- Fourth Amplification efforts with respect to the education of non-employees.

2. Training and Advancement

In the area of training and advancement, measuring progress across a wide range of industries with different job structures, work force sizes, and geographic distribution is far from a straightforward process.

Quantitative points were based on three measures calculated from data provided by each Signatory. To the greatest extent possible, these ratios evaluate the advancement of Blacks, Coloureds, and Asians in rela-

to the total number of available opportunities for ancement in each South African subsidiary. This roach minimizes the potential negative bias in the ng system against companies whose work forces e reduced during the year because of South Africa's omic downturn. The quantitative measures are:

The average number of training days per Black, Coloured, or Asian employee in skilled, clerical dministrative, professional, sales, supervisory nd managerial positions;

The proportion of managerial and supervisory posi-ion vacancies filled by Black, Coloured, and Asian mployees relative to the 50 percent goal advocated y Dr. Sullivan;

The proportion of Blacks, Coloureds and Asians in killed professional, sales, supervisory and man-gerial positions at the end of the reporting period.

ese ratios measure both (1) the efforts Signatories naking to prepare their Black, Coloured, and n work forces for upward mobility and (2) the ber of Black, Coloured, and Asian employees who actually advanced. Special attention was given to ing and advancement for supervisory and man-al positions.

alitative points assigned in the training and ncement area were based on:

he number of Black, Coloured, and Asian employ-s to which Signatories provided non-skilled aining and the extent of that training;

he number of Black, Coloured, and Asian employ-s being trained for supervisory or managerial sitions;

he number of Blacks, Coloureds, and Asians who ere supervising Whites and others;

ecial efforts made to prepare a Signatory's super-sors (most of whom are White) to understand and pport the company's efforts to provide vancement opportunities for Blacks, Coloureds, d Asians;

ecial approaches to training — in particular, ose that help Black, Coloured, and Asian employees to meet Signatories' standards for supervisory and managerial positions; and

- Fourth Amplification efforts in relation to training and advancement issues.

3. Community Development

In the community development area, quantitative-point assignments were based on the relation between payroll rand and rand contributed to programs that benefit Blacks, Coloureds, and Asians in business, housing, health, welfare, and recreation. Contributions to groups such as the United States South African Leadership Exchange Program (USSALEP), the National African Chamber of Commerce, and the Urban Foundation were considered here.

Qualitative points assigned in this area were based on such activities as:

- Efforts made to assist the development of businesses owned by Blacks, Coloureds, and Asians in South Africa (purchases of goods and services, consulting assistance, etc.);
- Deposits made in banks owned by Blacks, Coloureds, and Asians;
- Non-financial support provided to the programs of the National African Federated Chamber of Commerce and its local affiliates;
- Donations of Signatory time to assist housing, health, welfare, and recreation programs that benefit Blacks, Coloureds, and Asians;
- Assistance provided to Black, Coloured, and Asian employees to purchase their own homes or to improve the conditions of hostels used by employees living away from their homes;
- Assistance to Blacks in obtaining 99 year leases;
- Efforts made to help Black employees take advantage of rights to reside in urban areas to which they are legally entitled;
- Non-financial support provided to such programs as Adopt-A-Clinic and the Community Development Worker Programme; and

- Fourth Amplification efforts with respect to housing and urban rights issues.

Special attention was given in the Ninth Report to public and private efforts to individually or collectively bring an end to discriminatory laws and practices in South Africa as well as efforts to encourage non-Signatory companies to implement a code of employee and community relations similar to the Principles.

D. CATEGORY ASSIGNMENT

The three major rating categories used in this report are:

(I) **Making Good Progress.** Any Signatory wishing to be assessed at a level of performance commensuate with Category standards must submit for evaluation the full length detailed questionnaire.

(II) **Making Progress.** Category II is divided into two sub-categories distinguished by the report submitted:
- (IIA) Signatories using the standard (long-form) questionnaire, and
- (IIB) Signatories using the short form, as outlined in the Introduction of this Section.

(III) **Needs to Become More Active.** Category III is divided into two distinct sub-categories irrespective of the type of report submitted:
- (IIIA) Signatories met the basic requirements for Principles 1, 2, and 3 but received low point ratings on Principles 4, 5, and 6.
- (IIIB) Signatories did not meet the basic requirements for Principles 1, 2, and 3.

Signatories in *both* IIIA and IIIB sub-categories need to become more active.

In the Ninth Report, Signatories submitting full length questionnaires in Principles 4, 5, and 6 had scores ranging from a low of 1 point to a high of 53 points on the 60-point scale. This wide range of scores indicates the varying degrees of implementation by individual Signatories of the Sullivan Principles 4, 5, and 6. The distribution of these total scores were examined to determine score intervals. For assigning reporting units to Category I, IIA, or IIIA, this analysis helped define the cut-off points for each of these three major rating categories. Any Signatory with a score close to an interval line was reexamined in detail to verify its category assignment.

Section IV of this Report lists individual Signatories and their rating categories. Individual point scores are not provided, because it is difficult — and potentially misleading — to distinguish among Signatories within a given category.

From reporting period to reporting period, individual Signatories may move up or down in rating categories. A downward shift does not necessarily imply that a company is applying less effort to implement the Principles than it did in previous years. It does imply that the Signatory's pace has not kept up with that of some of its peers. In evaluating the performance of an individual Signatory, it is important to consider its ratings for all the periods it reported.

Other categories include Endorsers of the Sullivan Principles with no employees or investment in South Africa (IV) and new Signatories (V). A list of U.S. businesses in South Africa, including those that are *not* Signatories to the Sullivan Principles, can be purchased from the Investor's Responsibility Research Center at 1319 F Street, N.W., Suite 900, Washington, DC, 20004, (202) 833-3727.

PART III.
ANALYSIS OF ACCOMPLISHMENTS

A. INTRODUCTION

The Signatory profile and discussion of Principles 1, 2, and 3 are based on data collected from all 146 Signatory reporting units. The analysis of efforts on Principles 4, 5, and 6 is based on data collected from 115 Signatories who filed long form questionnaires. The long form questionnaires for 4 corporate entities, although rated, arrived too late to be considered in the Ninth Analysis. The 115 reporting units in this latter analysis represent 154 of the 190 subsidiaries in South Africa reported upon by all Signatories.

B. SIGNATORY PROFILE

Of the 190 South African subsidiaries reported in the Ninth Report: 83 percent were wholly-owned by their parents; Signatories held 50 percent or more of the equity in another 10 percent of these subsidiaries; and the Signatory parent held minority equity in the remaining 7 percent (Table 5). The latter Signatories had to obtain agreement of non-Signatory owners in order to report. In some cases, obtaining such agreement presented a substantial obstacle.

TABLE 5

EQUITY HELD BY U.S. SIGNATORY COMPANIES IN SOUTH AFRICAN SUBSIDIARIES

Percent Equity	Number of Subsidiaries	
	Eighth Report	Ninth Report
Less than 50	20	14
50-99	17	20
100	151	156
TOTAL	188	190

In the Ninth Report, the 146 reporting unit operations covered a wide variety of industries (Table 6). Nearly one third of the 62,656 Signatory employees are employed in the consumer goods and automotive industries.

Over half of the work force in the Ninth Report was employed by Signatories with reporting units of 1,000 or more employees (Table 7). However, the median size Signatory subsidiary is 194 employees.

The racial composition of the work force remained largely the same as in previous reports (Table 8 and Figure 1).

C. BASIC REQUIREMENTS

Except for one incidence of segregated facilities at the workplace and three minimum wage failures, all Signatories met all of the basic requirements (Table 9).

A few specific aspects deserve comment.

Unions

The number of Signatories with recognition agreements with unions representing Blacks, Coloureds, and Asians increased slightly.

Medical Aid

The provision of medical aid (insurance) for employees and their families has been a challenge in South Africa. At the start of the Sullivan Program, nearly all companies had mandatory coverage for Whites and permitted Blacks, Coloureds and Asians to join. But often these medical aid plans established for Whites were priced too high for Blacks who use health care services less frequently and had lower cost government provided services available. Now 80 percent of the Signatories have mandatory coverage for all races and this percentage is increasing. Coverage has been arranged at appropriate rates by race and much education on the desirability of participating has taken place. This accomplishment has not been easy and has required considerable innovation on the part of the companies.

With this medical coverage, Blacks are increasingly going to White doctors outside the government system. Thus, Blacks now can access the private health care system.

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TABLE 6

INDUSTRIES REPRESENTED BY SOUTH AFRICAN SUBSIDIARIES

Industry	Number of Reporting Units	Aggregate Number of Employees
Consumer Goods	25	12,408
Automotive and Related Industries	8	10,440
Petroleum and Related Industries	4	5,787
Construction Engineering Building Materials	11	5,465
Computers and Electronics	10	5,165
Industrial Equipment and Supplies	15	4,791
Pharmaceuticals Hospital and Health Care Supplies	22	4,539
Mining and Quarrying	7	3,228
Chemicals and Allied Products	19	2,805
Food and Related Products	4	2,616
Services (Entertainment, Publishing, Travel, Advertising, Lodging)	11	2,185
Finance Insurance Real Estate	8	1,721
Agricultural Equipment and Supplies	2	1,506
TOTAL	146	62,656

TABLE 7

SIZE OF WORK FORCE IN SOUTH AFRICAN SUBSIDIARIES

Number of Employees per Subsidiary	Number of Reporting Units	Aggregate Number of Employees
Under 25	18	175
25-99	29	1,697
100-199	29	4,289
200-499	32	9,741
500-999	21	14,262
1,000-1,999	11	13,624
2,000-4,999	6	18,868
TOTAL	146	62,656

Median Size: 194 employees
Average Size: 429 employees

TABLE 8

EMPLOYMENT BY SOUTH AFRICAN SUBSIDIARIES

	Eighth Report	Ninth Report
Black		
Number	27,766	27,437
Percent	43	43.8
White		
Number	23,649	24,710
Percent	37	39.4
Coloured		
Number	10,453	7,553
Percent	16	12.1
Asian		
Number	2,856	2,956
Percent	4	4.7
TOTAL NUMBER	64,724	62,656
TOTAL PERCENT	100.0	100.0

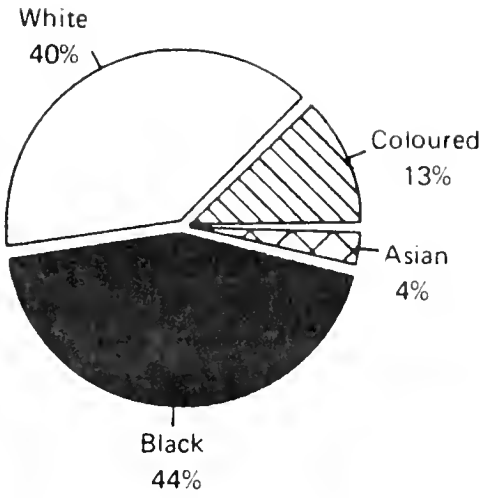

FIGURE 1

RACIAL COMPOSITION OF SIGNATORY WORK FORCE

TABLE 9

REPORTING UNITS FULFILLING BASIC REQUIREMENTS OF PRINCIPLES 1, 2, AND 3

	Reporting Units Passed*
Freedom of Association	146
Benefits	146
Equal Pay	146
Minimum Pay	143
Communications	146
Rating Made Known	146
Review	146
Desegregation	145
Review by Accounting Firm**	114

*Out of 146

**Only applicable for publicly-held Signatories completing full length questionnaires.

Equal Pay For Equal Work

In the Ninth Report, all reporting units stated that they were paying all races at the same rate for equal work.

Minimum Pay

This Principle embraces the concept that employees of the Signatories should be guaranteed a standard of living that will allow them some dignity. To this end, Signatories are asked to report their minimum wage in relation to established economic minimum living levels. The standards used (for families of five or six) are the Minimum Living Level (MLL) established by the University of South Africa and the Household Subsistence Level (HSL) established by the University of Port Elizabeth. It is important to recognize that the MLL HSL represent a minimal allowance for living requirements. These standards are calculated with allowances for food, clothing, compulsory payments to authorities, fuel light, washing/cleaning materials, transport, medical expenses, education, household equipment, and taxes. In this allowance, for example, a Black person could buy two pairs of underwear and three pairs of socks a year. To quote from the University of South Africa August 1981 MLL Report: "The MLL is the lowest sum possible on which a specific size of household can live in our existing social set-up . . . rational expenditure is assumed throughout. As it is highly unlikely that persons at this living level know very much about dietary requirements . . . the sum estimated for the MLL is at best a theoretical minimum."

The average MLL/HSL associated with subsidiary locations affiliated with the 118 corporate entities that reported on the long form in this period is 491 rand — approximately $245 (U.S.) as of June 30, 1985. In the Ninth Reporting Period the lowest paid employees in non-rural locations received wages which averaged 56 percent in excess of the MLL/HSL. This is an increase over the Eighth Report. In the Ninth Reporting Period, Signatories paid employees at 14 locations more than twice the MLL/HSL associated with those locations (Table 10).

Desegregation

The one company which had not achieved desegregation did not report last year.

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TABLE 10

PAY OF LOWEST PAID EMPLOYEE RELATED TO MINIMUM STANDARDS

Percentage by Which Entry Pay Exceeds MLL or HSL	Locations* Number	Percent
Less than 0	0	0
1-29	3	1
30-50**	125	53
51-75	58	25
76-100	31	13
More than 100	19	8
TOTAL	236	100

* A reporting unit may have listed more than one MLL or HSL for its different plant or office locations. There were 236 of these locations listed.

** One rural company, with two locations, has been included in this category because, although they did not pay 30% greater than the MLL/HSL, they have satisfied the minimum wage requirements for their respective non-urban locations.

D. REQUIRED ACTION AREAS

Education for Non-employees

The Signatories reported spending approximately 14 million rand on education programs for Blacks, Coloureds, and Asians who are not their employees. This includes bursaries and other grants to individual students (Table 11), contributions to the Teacher Opportunity Programmes, remedial education programs, and participation in the Adopt-A-School program, as well as other contributions for general support of educational institutions such as Pace College and education programs operated by Signatories to serve Blacks, Coloureds, and Asians living near their facilities (Table 12). This is an increase of 2 million rand over the amount reported in the Eighth Report.

Activity during the Ninth Reporting Period increased in the area of education of non-employees; for example:

- The number of schools "adopted" increased from 250 in the Eighth Report to 332 in the Ninth Report (see Table 13). Eighty-seven percent of the reporting units have adopted at least one school. The amount of money spent on Signatory-adopted schools increased by 44 percent.

- In early 1984, the Education Task Group in South Africa announced initial programs in a new national education effort. The effort has long- and short-term focuses. For the long term, support of the Urban Foundation Education Trust for the benefit of the Teacher Opportunity Programmes is being encouraged. This is an in-service teacher development program directed at unqualified black teachers at the higher primary school level. These teachers have only a "standard eight" education (a secondary level education) plus two years at a training college. The objective is to help put them in a position to obtain their senior education certificate qualifications. For the shorter term, remedial programs are addressing the educational deficiencies of students now in the system. The programs include supplementary efforts on Saturday mornings, a crash course during school holidays to prepare for year-end examinations, and career guidance. Signatory efforts in these areas, measured in rand as well as employee days, increased during the Ninth Reporting Period.

These and other indicators of heightened participation in education are especially significant in view of the overall reduction in South Africa's economic activity during this period. Even though the recession has diminished earnings and caused severe cutbacks in operating budgets for a number of Signatories, companies are reporting increases in employee time spent in this area. Signatory comments in the Ninth Report included the following:

- "In spite of our efforts to encourage private study, most of the teachers experienced difficulties in adjusting to the re-learning process. To overcome this problem, we enrolled 27 teachers at an Adult

Education Centre in Tembisa where they received group instruction at evening classes. As we discovered during the last reporting period, this approach has proved to be far more effective in preparing these adults for independent effort and five teachers were successful in attaining their school leaving certificate in the 1984 year-end examination. The remaining number, who wrote their examinations in May 1985, are presently awaiting results."

- Fourteen Nurses received bursaries at Rand Afrikaanse University. These bursaries were expanded in 1984/85 both to encourage the expansion in the number of non-white nurses trained and to help the university financially in its first move ever to admit non-white students.

- "By improving the functioning of the administration, we can make a significant contribution to improving the climate for learning. Recognizing that the company had expertise in this area, we proposed that the Principals and senior staff members of both schools participate in our in-house management training programmes, focusing on skills development in general management and conflict resolution."

- "Although St. Anthony's facilities are open to all races, the Highveld Technical College run by the educational department was only open to Coloureds. There were also no facilities on the East Rand available for working Blacks to study these technical courses in the evenings. These two factors prompted the East Rand Sullivan Signatories to

TABLE 11

EDUCATIONAL ASSISTANCE TO NON-EMPLOYEES
(in Form of Bursaries)

Education Category	Rand	Students			
		Black	Coloured	Asian	Total
Primary and Secondary	1,131,182	6,376	630	112	7,118
Technical Colleges	276,053	190	80	10	280
University	1,523,461	397	440	78	915
Other	708,110	621	72	19	712
TOTAL	3,638,806	7,584	1,222	219	9,025

TABLE 12

CONTRIBUTIONS TO EDUCATIONAL INSTITUTIONS

Education Category	Rand	Employee Days
Bursaries and Grants*	4,323,432	—
T.O.P.S.	878,492	—
Remedial Compensatory Programs	534,312	—
Adopt-A-School	1,786,723	6,048
Other	6,487,465	6,361
TOTAL	14,010,424	12,409

*This total includes bursaries and grants for employees (Table 15) as well as non-employees.

TABLE 13

NUMBER OF SCHOOLS ADOPTED BY REPORTING UNITS

Number of Schools Adopted by Each Unit	Number of Reporting Units
0	15
1	32
2-5	50
5-10	12
10 or more	6

Total adopted schools: 332
Total students: 232,178

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personally approach the Minister for Education, Mr. Rabie. As a direct result of this meeting, Highveld Technical Training College is now open to all races. The fact that the government has sanctioned a racially mixed college due to the combined corporate influence of the East Rand Task Force of Sullivan Signatories, spurred on by the Fourth Amplification, shows what can and should be done in the future."

Training and Advancement

In the Ninth Report, a number of Signatories reported across-the-board cutbacks in their training as a result of the continuing recession in South Africa. Several hypothesize reduced employee morale when training for advancement in economic circumstances that severely reduce or eliminate the likelihood of advancement opportunities.

Training. However, during the Ninth Reporting Period, Signatories continued to provide a wide range of training opportunities for their Black, Coloured, and Asian employees. The racial composition of training programs at selected occupational levels varied. In the Ninth Report, 97 percent of the employees receiving training for unskilled/semi-skilled occupational levels were Black, Coloured, or Asian. In contrast, 34 percent of the employees receiving training for supervisory/managerial jobs were Black, Coloured or Asian. (Table 14).

Compared with training activities reported in the Eighth Report: the proportion of Blacks, Coloureds, and Asians in training programs for skilled, clerical, and administrative positions increased slightly. There was a substantial decrease in the proportion of Blacks, Coloureds and Asians being trained for sales and professional positions; there was an increase in the proportion of Blacks, Coloureds, and Asians in training programs for supervisory and managerial positions (see Table 14).

During the Ninth Reporting Period Signatories provided 1,189 bursaries and tuition refunds totaling 684,626 rand for Blacks, Coloureds, and Asians for primary and secondary school education, technical colleges, university education, and other education programs (Table 15). In addition, 97 Signatory employees passed their matrics through the Continuing Education Program Project or similar programs during this reporting period.

TABLE 14

RACIAL COMPOSITION OF TRAINING PROGRAMS*

	% White		% Black, Coloured, and Asian	
Occupational Level	Eighth	Ninth	Eighth	Ninth
Unskilled Semi-Skilled	7	3	93	97
Skilled Clerical Administrative	53	47	47	53
Sales Professional	56	79	44	21
Supervisory Managerial	68	66	32	34

*Based on the 115 reporting units filing long-form questionnaires.

Advancement. In the Ninth Reporting Period, Blacks, Coloureds, and Asians filled 61 percent of all job openings (Table 16). This represents a continuing decrease over the last three reporting periods. In the Ninth Report, the proportion of Blacks filling supervisory vacancies decreased by almost one third compared to the Eighth Reporting period. Blacks filled only 4 percent of the managerial openings in the Ninth Report. This proportion decreased slightly from the Eighth Report (Figure 2).

Managerial positions are still dominated by Whites. In the Ninth Report, Whites hold 94.7 percent of the total number of managerial positions (Table 17 and Figure 3). In recent years the Signatories have made only limited progress in advancing Blacks, Coloureds, and Asians to management positions. To help improve this situation, special information was reported for the more than 200 non-white managers.

A review of this information indicated that while Black, Coloured and Asian managers hold only 5 percent of the Signatories' management positions, a number of these positions have major importance to the companies' operations. Job titles included: Production Superintendent, Area Sales Manager, Plantation Manager, National Marketing Manager, Plant Personnel Manager, Purchasing Manager, and Quality

TABLE 15

EDUCATIONAL ASSISTANCE TO EMPLOYEES
(in Form of Bursaries)

Education Category	Rand	Students			
		Black	Coloured	Asian	Total
Technical Commercial Colleges	205,543	162	115	25	302
Technikons	96,619	59	42	13	114
University	105,338	109	19	30	158
Other	277,126	278	317	20	615
TOTAL	684,626	608	493	88	1,189

Assurance Manager. The range of operating management positions these individuals occupy suggests that Signatory Black, Coloured, and Asian managers have responsibilities that extend beyond jobs in "affirmative action" or "community relations" areas.

While, as a group, their budget responsibilities and number of employees supervised vary widely, variation appears to reflect the nature of their individual assignments. Several have budget responsibility for well over 1 million rand as well as some responsibility for their companies' overall business planning and budgeting. A number of these individuals also play

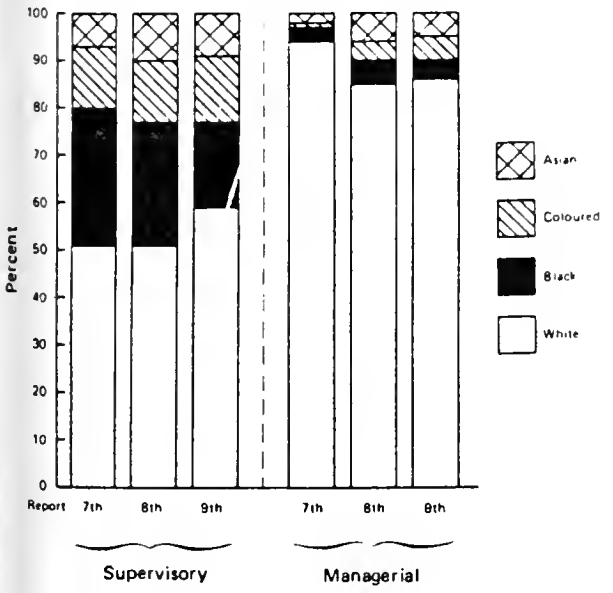

FIGURE 2

PERCENT OF SUPERVISORY AND MANAGERIAL JOB VACANCIES FILLED BY EACH RACE

TABLE 16

PERCENTAGE OF JOB VACANCIES FILLED BY VARIOUS RACIAL GROUPS

	Reporting Period		
	Seventh	Eighth	Ninth
Filling All Vacancies (all job levels)			
Blacks	53	43	46
Coloureds	18	19	11
Asians	3	5	4
Subtotal	74	67	61
Whites	26	33	39
TOTAL	100	100	100
Filling Supervisory Vacancies			
Blacks	29	26	18
Coloureds	13	13	14
Asians	7	10	9
Subtotal	49	49	41
Whites	51	51	59
TOTAL	100	100	100
Filling Managerial Vacancies			
Blacks	3	5	4
Coloureds	1	4	5
Asians	2	6	5
Subtotal	6	15	14
Whites	94	85	86
TOTAL	100	100	100

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TABLE 17

RACIAL COMPOSITION OF WORKFORCE IN SELECTED OCCUPATIONAL CATEGORIES AS OF JUNE 30, 1985 (percent)

	Black			Coloured			Asian			White		
	Seventh	Eighth	Ninth	Seventh	Eighth	Ninth	Seventh	Eighth	Ninth	Seventh	Eighth	Ninth
Unskilled	76	77	83	24	22	16	1	1	1	1	1	1
Skilled	26	29	28	14	15	14	5	5	5	55	51	53
Clerical/Administrative	17	18	19	14	15	12	7	7	8	62	60	61
Sales	26	27	19	5	4	4	5	5	6	64	63	71
Professional	5	7	6	5	6	5	3	3	4	87	85	85
Supervisory	19	21	22	11	11	11	5	6	7	65	61	60
Managerial	2	2	2	1	1	1	1	2	2	96	95	95

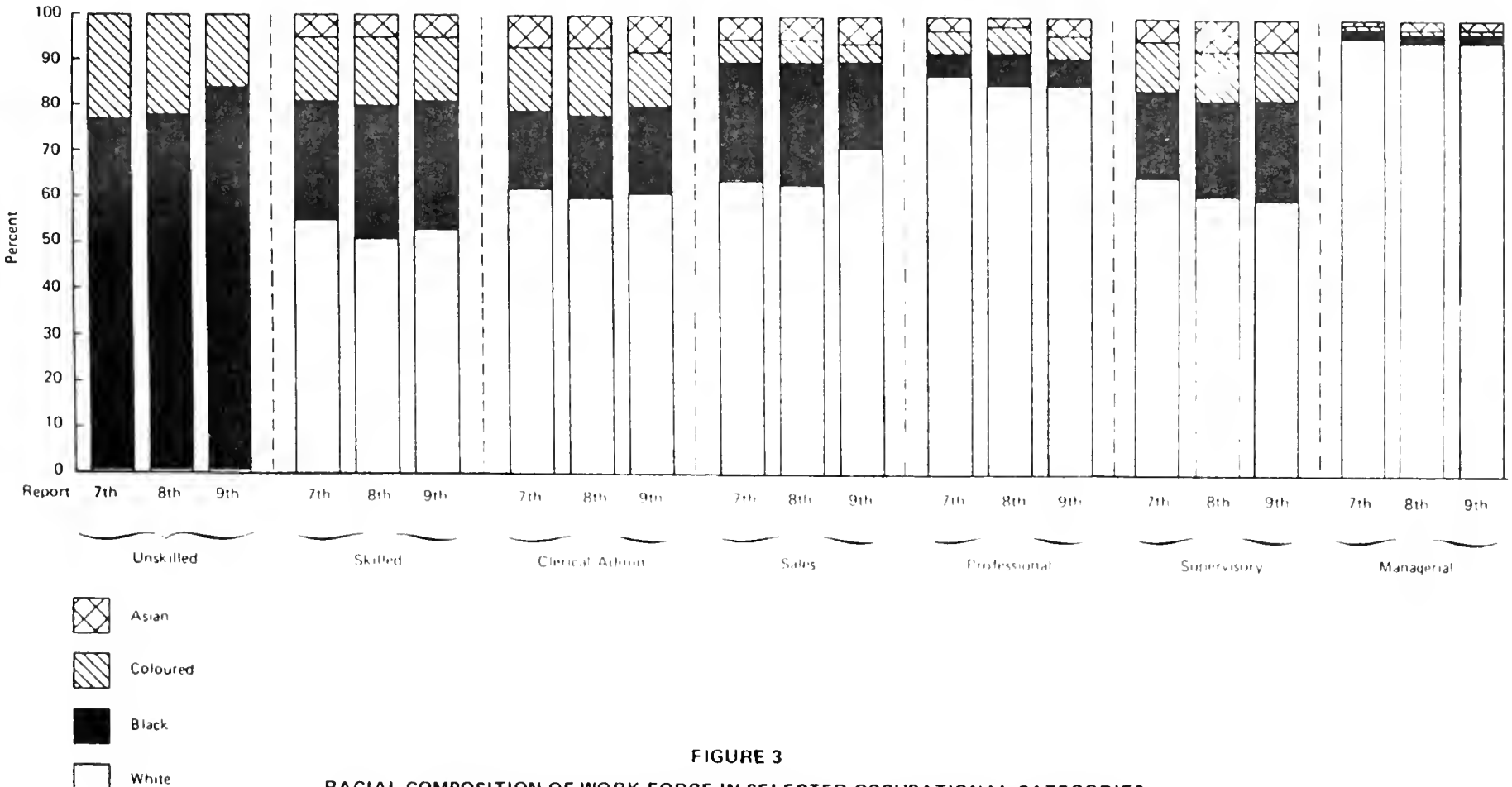

FIGURE 3

RACIAL COMPOSITION OF WORK FORCE IN SELECTED OCCUPATIONAL CATEGORIES

major roles in implementing these plans. Almost all these managers have received training during the last reporting period. Many have been assigned mentors to help them continue their professional development and prepare for more senior executive positions.

In the Ninth Reporting Period, the number of Whites supervised by Blacks, Coloureds, and Asians increased to 875, up from 744 in the Eighth Report. Seventy-four percent of the reporting units indicated they had at least one White employee supervised by a Black, Coloured, or Asian.

In spite of the uneven progress made by the Signatories as a group in the training and advancement area, a number of individual companies made significant efforts in this report period:

- One signatory obtained a South African government minister's consent that Black, Coloured, and Asians be admitted to a technical college that previously had accepted only White students. The company took the position that it would withdraw its White employee students from the school, which was near its plant, if their Black, Coloured, and Asian co-workers were not allowed to study with them.

- One company closed its offices for a day and had all its employees visit the facilities of another Signatory which has a reputation for especially effective training programs. Their methods were studied and adopted for use by this company. It is hoped that the dramatic action of closing the offices and involving all employees in the process will help to implement the new programs successfully.

- Several Signatories are preparing Black, Coloured, and Asian employees for advancement to executive positions in non-traditional ways. One has appointed three to serve on the Board of Trustees of its Pension Fund to broaden their exposure and level of decision-influencing. Others are adopting formal mentoring and assessment center techniques. Still others are continuing to send multiracial teams of potential senior managers to "Outward Bound"-like programs.

- One Signatory reports achieving Dr. Sullivan's goal of filling 50 percent of its managerial and supervisory vacancies with Blacks, Coloureds, and Asians during this reporting period.

Community Development

Since the Eight Report, the Signatories collectively made significant increases in their efforts, measured by both financial and employee-time contributions, to implement Principle 6. Contributions for community development programs in the areas of housing, health, welfare, civic activities, and recreation increased by more than 17 million rand and 35,000 employee days to 25.6 million rand and 46,936 employee days (Table 18.)

TABLE 18

ASSISTANCE TO COMMUNITY AT LARGE

	Rand	Employee Days
Housing	3,731,037	4,857
Health Welfare	4,080,926	7,595
Civic/Recreation	6,866,690	12,760
Other	10,935,867	21,726
TOTAL	25,614,520	49,936

Civic Activities. Support of Black, Coloured, and Asian businesses increased during the Ninth Reporting Period. Ninety-six percent of the reporting units made visits to evaluate possible purchases of goods and services. Their actual purchases totaled 15.8 million rand, an increase of 44% from the Eighth Report.

Doing business with Black, Coloured, and Asian enterprises can be frustrating because of the difficulty in locating suppliers and particularly because some suppliers cannot produce a quality product on schedule. However, this situation is changing for the better as Signatory companies continue to offer support and to develop Black, Coloured, and Asian enterprises. During this reporting period, 3,830 Black, Coloured, and Asian businesses were provided consultancy or sponsored assistance by Signatory companies.

As Signatory companies attempt to locate Black, Coloured, and Asian suppliers from which to purchase goods and services, many approach the National African Federation of Chambers of Commerce for

advice. To this end, various Signatories continue to work with this organization to develop a directory of suppliers to which companies may refer when making purchasing decisions.

In cooperation with the Small Business Development Corporation and other organizations, Signatory companies have been identifying and promoting Black, Coloured, and Asian businesses in order to improve their sales and profitability. In many instances, this assistance involves elimination of the bureaucratic red tape which many of these businesses must endure.

The influence that a Signatory company can have on a Black, Coloured, and Asian business in its early stages can be instrumental in the success or failure of the enterprise. One Signatory mentioned an unsatisfactory business relationship with a business which was resolved, not by cancelling orders, but by sending two senior employees to the business to advise the owners on ways to improve business operation. The exercise proved successful and this Signatory company looks forward to a continued good relationship with a growing company.

Urban Rights and Housing. In the Ninth Report the Signatories collectively negotiated for urban rights on behalf of 462 employees. Of those, 343 (74 percent) obtained permission to live with their families and work in urban areas. As of June 30, 1985, 1,148 Signatory employees still have not received the right to live with their families in a place convenient to their place of work.

For Blacks, the 99-year leasehold scheme offers a dramatic opportunity to improve housing in the urban townships. This scheme permits qualified Blacks (i.e., those with urban rights) to obtain 99-year leases of land on which they can buy an existing government-built house or, in the case of vacant land, build a house — sometimes in conjuncton with a developer. Signatories have continued to assist employees to obtain these leases. During the Ninth Reporting Period, Signatory employees obtained 914 leases, bringing the total number of Signatory employees living in homes on 99-year leased property to 1,701.

The increased level of acceptance of 99-year leases and home ownership by Black employees has been the direct result of the continuing education programs conducted by the Signatories to inform their employees of the benefits of home ownership. Many Signatory companies held regular meetings with their employees to discuss house purchases or to advise them on the best and most cost-effective methods of home improvement. Further incentives have been offered by specific companies in the form of outright partial grants, loan subsidization, loan guarantees, and counseling to resolve issues between government and builders. The Signatory companies reported having devoted 4,857 man-days to housing efforts.

Health and Welfare. The Signatory companies continued to increase their efforts in the areas of health and welfare. The Friends of Baragwanath program has received increased support during the Ninth Reporting Period. In addition, many Signatory companies have become involved in the Adopt-A-Clinic program, providing support in the form of rands, equipment, maintenance, and advice to a medical clinic in their area. The success of the Crossroads Clinic at Empilisweni is one example of how Signatory companies worked together with a clinic and its dedicated staff to vastly increase the level of health care in a community.

Another area on which Signatory companies focussed during the Ninth Reporting period was in providing assistance to mobile clinics. These mobile clinics offer medical treatment to a large number of underprivileged communities across South Africa.

Signatory companies continue to allow their medical staff to spend a good deal of their time in the surrounding communities and schools. These doctors and nurses provide health education and medical treatment where it would otherwise be unavailable.

Other. The United States-South African Leadership Exchange Program, Urban Foundation, and Legal Resources Center continue to receive increasing contributions of both time and money from Signatory companies. The effect of the Legal Aid Clinic in Springs, operated to service neighboring townships, can be measured by the 450 consultations it provided in the month of May alone.

In the area of recreation, the Signatory companies are providing support by sponsoring local sports teams, improving playing fields, purchasing equipment, and volunteering time as coaches and teachers.

PART IV. INDIVIDUAL SIGNATORY RATINGS

CURRENT SULLIVAN SIGNATORIES

10/25/84 — 128 Signatories

10/25/85 plus — 16 Reinstated Signatories

American Airlines, Inc.
American Hospital Supply Corporation
The Black and Decker Manufacturing Corporation
Champion Spark Plug Company
Crown Cork and Seal Company, Inc.
Grolier International, Inc.
JWT Group, Inc.
Loctite Corporation
Pan American World Airways, Inc.
Revlon, Inc
A. H. Robins Company, Inc.
Simplicity Pattern Co., Inc.
The Singer Company
The Stanley Works
Tokheim Corporation
Twin Disc, Inc.

plus — 45 New Signatories

Air Products and Chemicals, Inc.
Alexander and Alexander Services, Inc.
Allegheny International, Inc.
Amdahl Corporation
American Brands,Inc.
American Standard Inc.
Avery International, Inc.
Baltimore Aircoil Company
Becor Western, Inc.
Bell & Howell Company
Combustion Engineering, Inc.
Coulter Electronics Inc.
Dow Corning Corporation
Dukane Corporation
Emery Air Freight Corporation
Emhart Corporation
Foote, Cone & Belding Communications
GATX Corporation
GTE Corporation
Gelco CTI Container Corporation
General Signal Corporation
Harnischfeger Corporation
Ingersoll-Rand Company
Intergraph Corporation
International Correspondence Schools, Inc.
International Playtex, Inc.
Kimberly-Clark Corp.
Leco Corporation
Sara Lee Corporation
Macmillan, Inc.
Martin Marietta Corporation
Medtronic, Inc.
Midland-Ross Corporation
Millipore Corporation
J. P. Morgan & Co., Incorporated
The Ogilvy Groups, Inc.
Owens-Illinois, Inc.
Joseph E. Seagrams & Sons, Inc.
G. D. Searle and Company
Skok Systems Incorporated
Stone & Webster Engineering Services, Inc.
VF Corporation
Wang Laboratories, Inc.
The Washington Times
Wilson Learning Corporation

plus — 2 new non-U.S. related Signatories:

Carlton Paper Corp. Limited
Video Vision Enterprises (Pty) Ltd.

less — 1 Signatory no longer in South Africa which withdrew

International Harvester Company

less — 2 Signatories which withdrew but remain in South Africa

Measurex Corporation
Sentry Insurance A Mutual Company

less	5 Signatories which were dropped for not reporting
	Chicago Bridge & Iron Company
	D'Arcy MacManus & Masius Worldwide, Inc.
	The East Asiatic Co. (S.A)(Pty) Ltd.
	The Trane Company
	Westin Hotel Co.
less	2 because 3 Signatories combined into one parent — R. J. Reynolds Industries, Inc.
10 25 85	178 Signatories not including three non-U.S. related companies

LATE ADDITIONS

In addition, eight companies became Signatories too late to be included in the above lists:

- Bechtel Group, Inc
- Cheesebrough Pond's Inc
- GAF Corporation
- GATX Corporation
- The Harper Group
- S C Johnson & Son Inc.
- Square D Company
- Twin Disc Corporation

These companies are not mentioned elsewhere in this report.

SIGNATORY COMPANY DISTRIBUTION

36	Category I	Making Good Progress
64	Category IIA	Making Progress, Based On Full Reporting
24	Category IIB	Making Progress, Based On Short Form Reporting
18	Category IIIA	Needs to Become More Active — Passed All Basic Requirements But Received Low Point Rating
4	Category IIIB	Needs To Become More Active Did Not Pass Basic Requirements
10	Category IV	Endorsers
63	Category V	New Signatories

Some Signatories were mentioned in two or more Categories

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ALPHABETICAL LIST OF SIGNATORIES

A complete alphabetical list of the Signatory Companies indicates the rating category (described in Part II — Rating Criteria) of each Signatory. More than one rating category is listed for some Signatories whose South African subsidiaries were rated separately and received different ratings.

In most instances the publicly held parent company in the United States is the official Signatory. However, in a few instances the Signatory is actually a U.S. subsidiary. In those instances, the ultimate publicly held U.S. corporation is shown in brackets in the alphabetical listing, followed by a reference to one or more subsidiaries that are the actual Signatories.

Signatory	Rating Categories
Abbott Laboratories	IIA
Air Products and Chemicals, Inc.	V
Alexander and Alexander Services, Inc.	V
Allegheny International, Inc.	V
Amdahl Corporation	V
American Airlines, Inc.	V
American Brands, Inc.	V
American Cyanamid Company	I, IIB
American Express Company	IV
American Home Products Corporation	I, IIA
American Hospital Supply Corporation	IIB, V
American International Group, Inc.	IIA
American Standard Inc.	V
[Amstead Industries, Inc.] See Baltimore Aircoil Company	
Armco Inc.	IIB
Ashland Oil, Inc.	IIIA, IIIB
Avery International, Inc.	V
Baltimore Aircoil Company	IIA, V
Bausch & Lomb, Inc.[1]	V
Baxter Travenol Laboratories, Inc.	IIB
[Beatrice Companies, Inc.] See International Playtex, Inc.	
Becor Western, Inc. (formerly Bucyrus-Erie Co.)	V
Bell & Howell Company	V
The Black and Decker Manufacturing Company	V
Borden, Inc.	I
Borg-Warner Corp.	IIIA
Bristol-Myers Company	IIA
Burroughs Corporation	I
Butterick Company, Inc.	IIA
CBS Inc.[2]	IIA
CIGNA Corporation	IIA
CPC Corporation	IIA
Caltex Petroleum Corp.	IIA
Carlton Paper Corporation Limited	V
Carnation Company	IIA
Carrier Corp	IIIA
J. I. Case Corporation	IIIA
Caterpillar Tractor Co.	IIA
Celanese Corporation	I
Champion Spark Plug Company	V
The Chase Manhattan Corp.	IIB
Citicorp	I, IIB
The Coca-Cola Company	IIA
Colgate-Palmolive Company	I, IIA
Combustion Engineering, Inc.	V
Control Data Corporation	I
Cooper Industries, Inc.	IIA
Coulter Electronics Inc.	V
Crown Cork and Seal Company, Inc.	V
Cummins Engine Company, Inc.	IIB
Dart & Kraft, Inc.	IIA
Deere & Company	IIA
Deloitte Haskins & Sells	IV
Dominion Textile Inc.	IIIB
Donaldson Company, Inc.	IIIA
The Dow Chemical Company	IIA
Dow Corning Corporation	IIB, V
Dresser Industries, Inc.	IIA
Dukane Corporation	V
E. I. Du Pont de Nemours & Company	IIA

1 1985-86 is the first full year as Signatory.

2 CBS does not include its news bureau in South Africa as a Signatory.

Signatory	Rating Categories
Eastman Kodak Co.	I
Eaton Corporation	IIIA, IIIB
Emery Air Freight Corporation	V
Emhart Corporation	V
Englehard Corporation	IV
Exxon Corporation	I, IIA
FMC Corporation	I
Federal-Mogul Corporation	IIA
Ferro Corporation	IIIA
The Firestone Tire & Rubber Company	IIB
John Fluke Manufacturing Company, Inc	IIA
Fluor Corporation	I
Foote, Cone & Belding Communications	V
Ford Motor Company[3]	V
Foster Wheeler Corporation	IIIA
Franklin Electric Co., Inc.	IIA
GATX Corporation	V
GTE Corporation	V
Gelco CTI Container Corporation	V
General Electric Company	IIA, IIB
General Motors Corporation	I
GenCorp	IV
General Signal Corporation	V
The Gillette Company	I, V
Goodyear Tire & Rubber Co	IIA
Grolier International, Inc.	V
W. R. Grace & Co.	IIA
Harnischfeger Corporation	V
Heller International Corporation	IIB
Hewlett-Packard Co.	I
Honeywell Inc.	I
Hoover Co.	IIIA
Ingersoll-Rand Company	V
Intergraph Corporation	V
International Business Machines Corporation	I
International Correspondence Schools, Inc.	V
International Minerals & Chemicals Corporation	IIA
International Playtex, Inc.	V
International Telephone & Telegraph Corporation[4]	IIA, IIB
The Interpublic Group of Companies, Inc.	IIIA, IIIB
JWT Group, Inc.	IIB, V
Johnson Controls, Inc.	IIIA
Johnson & Johnson	I, IIA
Joy Manufacturing Company	IIA
Kellogg Company	I
Kimberly-Clark Corp.	V
Leco Corporation	V
Sara Lee Corporation	V
Eli Lilly and Company	I, IIA
Loctite Corporation	V
Macmillan, Inc.	V
Marriott Corp.	IIA
Marsh & McLennan Companies	IIB
Martin Marietta Corporation	V
Masonite Corporation	IIA
McGraw-Hill, Inc.	I
Medtronic, Inc.	V
Merck & Co., Inc.	IIA
Midland-Ross Corporation	V
Millipore Corporation	V
Mine Safety Appliances Co.	IIIA
Minnesota Mining & Manufacturing Company	I
Mobil Oil Corporation	I
Monsanto Co.	I, IIIA
J. P. Morgan & Co., Incorporated	V
Motorola, Inc.	IIA
NCNB Corporation	IIB
NCR Corp.	IIA
Nalco Chemical Company	IIIA
Norton Company	I

3 Ownership has been transferred to minority position in new South African company, SAMCOR.

4 Does not report on African Telephone Cables (Pty) Ltd. in which a minority interest of 5% is held.

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Signatory	Rating Categories
The Ogilvy Group, Inc.	V
Olin Corporation	I, IIB, IV
Otis Elevator Co.	IIA
*Owens-Illinois, Inc.	V
Pan American World Airways, Inc.	V
The Parker Pen Co.	IIA
Pennwalt Corporation	IIB
Pepsico, Inc.	IV
Pfizer, Inc.	I
Phelps Dodge Corporation[5]	IIIA
Phibro-Salomon Inc.	IIA
Phillips Petroleum Company	IIA
Raytheon Co	IIB, IIIA
Reader's Digest Association, Inc	IIA
Revlon, Inc	V
Rexnord Inc.	IIA
R. J. Reynolds Industries, Inc.	I, IIA
Richardson-Vicks Inc.	IIA
A. H. Robins Company, Inc.	V
Rockwell International Corporation	IV
Rohm and Haas Company	IIA, IV
Schering-Plough Corp.	IIA
Joseph E. Seagrams & Sons, Inc.	V
G. D. Searle and Company	V
Simplicity Pattern Co., Inc.	V
The Singer Company	V
Skok Systems Incorporated	V
SmithKline Beckman Corporation	I, IIA
Sperry Corporation	I
Squibb Corporation	IIA
[Standard Oil Company of California] See Caltex Petroleum Corporation	
The Standard Oil Co. (Ohio)	IIA
The Stanley Works	IIA, V
Sterling Drug Inc.	IIA
Stone & Webster Engineering Services, Inc.	V
Tambrands Incorporated	IIA
[Tenneco, Inc.][6] See J. I. Case Corporation	
[Texaco Incorporated] See Caltex Petroleum Corporation	
Time Incorporated	IIB
Tokheim Corporation	V
Trans World Airlines, Inc.	IV
Transworld Corporation	IV
Twin Disc, Inc.	V
Union Carbide Corporation	I, IIA, IIB
[United Technologies Corporation] See Carrier Corp.	
See Otis Elevator Co.	
See United Technologies Packard (Pty) Ltd.	
United Technologies Packard (Pty) Ltd.	IIB
The Upjohn Company	IIA
VF Corporation	V
Video Vision Enterprises (Pty) Ltd	V
Wang Laboratories, Inc.	V
Warner Communications, Inc.	I, IIA
Warner-Lambert Company	IIA, IIB
The Washington Times	V
Westinghouse Electric Corporation	IIB
Wilbur-Ellis Company	IIIA
Wilson Learning Corporation	V
Xerox Corporation	I

5 Does not report on Black Mountain Mineral Development Company (Pty) Ltd. in which a minority interest is held

6 Does not report on S.A. Paper Chemicals (Pty) Ltd.

APPENDIX G

ANTI-APARTHEID ACT OF 1986

Mr. FASCELL. Mr. Speaker, pursuant to House Resolution 548, I move to take from the Speaker's table the bill (H.R. 4868) to prohibit loans to, other investments in, and certain other activities with respect to, South Africa, and for other purposes, with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Pursuant to House Resolution 548, the Senate amendment is considered as having been read.

The text of the Senate amendment is as follows:

Strike out all after the enacting clause and insert:

SHORT TITLE

Section 1. This Act may be cited as the "Comprehensive Anti-Apartheid Act of 1986".

TABLE OF CONTENTS

Sec. 2. The table of contents of this Act is as follows:

Sec. 1. Short title.
Sec. 2. Table of contents.
Sec. 3. Definitions.
Sec. 4. Purpose.
TITLE I—POLICY OF THE UNITED STATES WITH RESPECT TO ENDING APARTHEID
Sec. 101. Policy toward the Government of South Africa.
Sec. 102. Policy toward the African National Congress, etc.
Sec. 103. Policy toward the victims of apartheid.
Sec. 104. Policy toward other countries in Southern Africa.
Sec. 105. Policy toward "frontline" states.
Sec. 106. Policy toward a negotiated settlement.
Sec. 107. Policy toward international cooperation on measures to end apartheid.
Sec. 108. Policy toward necklacing.
Sec. 109. United States Ambassador to meet with Nelson Mandela.
Sec. 110. Policy toward the recruitment and training of black South Africans by United States employers.
TITLE II—MEASURES TO ASSIST VICTIMS OF APARTHEID
Sec. 201. Scholarships for the victims of apartheid.
Sec. 202. Human rights fund.
Sec. 203. Expanding participation in the South African economy.
Sec. 204. Export Import Bank of the United States.
Sec. 205. Labor practices of the United States Government in South Africa.
Sec. 206. Welfare and protection of the victims of apartheid employed by the United States.
Sec. 207. Employment practices of United States nationals in South Africa.
Sec. 208. Code of Conduct.
Sec. 209. Prohibition on assistance.
Sec. 210. Use of the African Emergency Reserve.
Sec. 211. Prohibition on assistance to any person or group engaging in "necklacing".
Sec. 212. Participation of South Africa in agricultural export credit and promotion programs.
TITLE III—MEASURES BY THE UNITED STATES TO UNDERMINE APARTHEID
Sec. 301. Prohibition on the importation of krugerrands.
Sec. 302. Prohibition on the importation of military articles.
Sec. 303. Prohibition on the importation of products from parastatal organizations.
Sec. 304. Prohibition on computer exports to South Africa.
Sec. 305. Prohibition on loans to the Government of South Africa.
Sec. 306. Prohibition on air transportation with South Africa.
Sec. 307. Prohibitions on nuclear trade with South Africa.
Sec. 308. Government of South Africa bank accounts.
Sec. 309. Prohibition on importation of uranium and coal from South Africa.
Sec. 310. Prohibition on new investment in South Africa.
Sec. 311. Termination of certain provisions.
Sec. 312. Policy toward violence or terrorism.
Sec. 313. Termination of tax treaty and protocol.
Sec. 314. Prohibition on United States Government procurement from South Africa.
Sec. 315. Prohibition on the promotion of United States tourism in South Africa.
Sec. 316. Prohibition on United States Government assistance to, investment in, or subsidy for trade with, South Africa.
Sec. 317. Prohibition on sale or export of items on Munition List.
Sec. 318. Munitions list sales, notification.
Sec. 319. Prohibition on importation of South African agricultural products and food.
Sec. 320. Prohibition on importation of iron and steel.
Sec. 321. Prohibition on exports of crude oil and petroleum products.
Sec. 322. Prohibition on cooperation with the armed forces of South Africa.
Sec. 323. Prohibition on sugar imports.
TITLE IV—MULTILATERAL MEASURES TO UNDERMINE APARTHEID
Sec. 401. Negotiating authority.
Sec. 402. Limitation on imports from other countries.
Sec. 403. Private right of action.
TITLE V—FUTURE POLICY TOWARD SOUTH AFRICA
Sec. 501. Additional measures.
Sec. 502. Lifting of prohibitions.
Sec. 503. Study of health conditions in the "homelands" areas of South Africa.
Sec. 504. Reports on South African imports.
Sec. 505. Study and report on the economy of southern Africa.
Sec. 506. Report on relations between other industrialized democracies and

South Africa.
Sec. 507. Study and report on deposit accounts of South African nationals in United States banks.
Sec. 508. Study and report on the violation of the international embargo on sale and export of military articles to South Africa.
Sec. 509. Report on Communist activities in South Africa.
Sec. 510. Prohibition on the importation of Soviet Gold Coins.
Sec. 511. Economic support for disadvantaged South Africans.
Sec. 512. Report on the African National Congress.

TITLE VI—ENFORCEMENT AND ADMINISTRATIVE PROVISIONS

Sec. 601. Regulatory authority.
Sec. 602. Congressional priority procedures.
Sec. 603. Enforcement and penalties.
Sec. 604. Applicability to evasions of Act.
Sec. 605. Construction of Act.
Sec. 606. State or local anti-apartheid laws, enforce.

DEFINITIONS

SEC. 3. As used in this Act—

(1) the term "Code of Conduct" refers to the principles set forth in section 208(a);

(2) the term "controlled South African entity" means—

(A) a corporation, partnership, or other business association or entity organized in South Africa and owned or controlled, directly or indirectly, by a national of the United States; or

(B) a branch, office, agency, or sole proprietorship in South Africa of a national of the United States;

(3) the term "loan"—

(A) means any transfer or extension of funds or credit on the basis of an obligation to repay, or any assumption or guarantee of the obligation of another to repay an extension of funds or credit, including—

(i) overdrafts,

(ii) currency swaps,

(iii) the purchase of debt or equity securities issued by the Government of South Africa or a South African entity on or after the date of enactment of this Act,

(iv) the purchase of a loan made by another person,

(v) the sale of financial assets subject to an agreement to repurchase, and

(vi) a renewal or refinancing whereby funds or credits are transferred or extended to the Government of South Africa or a South African entity, and

(B) does not include—

(i) normal short-term trade financing, as by letters of credit or similar trade credits;

(ii) sales on open account in cases where such sales are normal business practice, or

(iii) rescheduling of existing loans, if no new funds or credits are thereby extended to a South African entity or the Government of South Africa;

(4) the term "new investment"—

(A) means—

(i) a commitment or contribution of funds or other assets, and

(ii) a loan or other extension of credit, and

(B) does not include—

(i) the reinvestment of profits generated by a controlled South African entity into that same controlled South African entity or the investment of such profits in a South African entity;

(ii) contributions of money or other assets where such contributions are necessary to enable a controlled South African entity to operate in an economically sound manner, without expanding its operations, or

(iii) the ownership or control of a share or interest in a South African entity or a controlled South African entity or a debt or equity security issued by the Government of South Africa or a South African entity before the date of enactment of this Act, or the transfer or acquisition of such a share, interest, or debt or equity security, if any such transfer or acquisition does not result in a payment, contribution of funds or assets, or credit to a South African entity, a controlled South African entity, or the Government of South Africa;

(5) the term "national of the United States" means—

(A) a natural person who is a citizen of the United States or who owes permanent allegiance to the United States or is an alien lawfully admitted for permanent residence in the United States, as defined by section 101(a)(20) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(20)); or

(B) a corporation, partnership, or other business association which is organized under the laws of the United States, any State or territory thereof, or the District of Columbia;

(6) the term "South Africa" includes—

(A) the Republic of South Africa;

(B) any territory under the Administration, legal or illegal, of South Africa; and

(C) the "bantustans" or "homelands", to which South African blacks are assigned on the basis of ethnic origin, including the Transkei, Bophuthatswana Ciskei, and Venda; and

(7) the term "South African entity" means—

(A) a corporation, partnership, or other business association or entity organized in South Africa; or

(B) a branch, office, agency, or sole proprietorship in South Africa of a person that resides or is organized outside South Africa; and

(8) the term "United States" includes the States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States.

PURPOSE

SEC. 4. The purpose of this Act is to set forth a comprehensive and complete framework to guide the efforts of the United States in helping to bring an end to apartheid in South Africa and lead to the establishment of a nonracial, democratic form of government. This Act sets out United States policy toward the Government of South Africa, the victims of apartheid, and the other states in southern Africa. It also provides the President with additional authority to work with the other industrial democracies to help end apartheid and establish democracy in South Africa.

TITLE I—POLICY OF THE UNITED STATES WITH RESPECT TO ENDING APARTHEID

POLICY TOWARD THE GOVERNMENT OF SOUTH AFRICA

SEC. 101. (a) United States policy toward the Government of South Africa shall be designed to bring about reforms in that system of government that will lead to the establishment of a nonracial democracy.

(b) The United States will work toward this goal by encouraging the Government of South Africa to—

(1) repeal the present state of emergency and respect the principle of equal justice under law for citizens of all races;

(2) release Nelson Mandela, Govan Mbeki, Walter Sisulu, black trade union leaders, and all political prisoners;

(3) permit the free exercise by South Africans of all races of the right to form political parties, express political opinions, and otherwise participate in the political process;

(4) establish a timetable for the elimination of apartheid laws;

(5) negotiate with representatives of all racial groups in South Africa the future political system in South Africa; and

(6) end military and paramilitary activities aimed at neighboring states.

(c) The United States will encourage the actions set forth in subsection (b) through economic, political, and diplomatic measures as set forth in this Act. The United States will adjust its actions toward the Government of South Africa to reflect the progress or lack of progress made by the Government of South Africa in meeting the goal set forth in subsection (a).

POLICY TOWARD THE AFRICAN NATIONAL CONGRESS, ETC.

SEC. 102. (a) United States policy toward the African National Congress, the Pan African Congress, and their affiliates shall be designed to bring about a suspension of violence that will lead to the start of negotiations designed to bring about a nonracial and genuine democracy in South Africa.

(b) The United States shall work toward this goal by encouraging the African National Congress and the Pan African Congress, and their affiliates, to—

(1) suspend terrorist activities so that negotiations with the Government of South Africa and other groups representing black South Africans will be possible;

(2) make known their commitment to a free and democratic post-apartheid South Africa;

(3) agree to enter into negotiations with the South African Government and other groups representing black South Africans for the peaceful solution of the problems of South Africa;

(4) reexamine their ties to the South African Communist Party.

(c) The United States will encourage the actions set forth in subsection (b) through political and diplomatic measures. The United States will adjust its actions toward the Government of South Africa not only to reflect progress or lack of progress made by the Government of South Africa in meeting the goal set forth in subsection 101(a) but also to reflect progress or lack of progress made by the ANC and other organizations in meeting the goal set forth in subsection (a) of this section.

POLICY TO WARD THE VICTIMS OF APARTHEID

SEC. 103. (a) The United States policy toward the victims of apartheid is to use economic, political, diplomatic, and other effective means to achieve the removal of the root cause of their victimization, which is the apartheid system. In anticipation of the removal of the system of apartheid and as a further means of challenging that system, it is the policy of the United States to assist these victims of apartheid as individuals and through organizations to overcome the handicaps imposed on them by the system of apartheid and to help prepare them for their eventual roles as full participants in the political, social, economic, and intellectual life of their country in the post-apartheid South Africa envisioned by this Act.

(b) The United States will work toward the purposes of subsection (a) by—

(1) providing assistance to South African victims of apartheid without discrimination by race, color, sex, religious belief, or political orientation, to take advantage of educational opportunities in South Africa and in the United States to prepare for leadership positions in a post-apartheid South Africa;

(2) assisting victims of apartheid;

(3) aiding individuals or groups in South Africa whose goals are to aid victims of apartheid or foster nonviolent legal or political challenges to the apartheid laws;

(A) furnishing direct financial assistance to those whose nonviolent activities had led to their arrest or detention by the South African authorities and (B) to the families of those killed by terrorist acts such as "necklacings";

(5) intervening at the highest political levels in South Africa to express the strong desire of the United States to see the development in South Africa of a nonracial democratic society;

(6) supporting the rights of the victims of apartheid through political, economic, or other sanctions in the event the Government of South Africa fails to make progress toward the removal of the apartheid [illegible] and the establishment of such democ[illegible] and

(7) supporting the rights of all Africans to be free of terrorist attacks by setting a time limit after which the United States will pursue diplomatic and political measures against those promoting terrorism and against those countries harboring such groups so as to achieve the objectives of this Act.

POLICY TOWARD OTHER COUNTRIES IN SOUTHERN AFRICA

SEC. 104. (a) The United States policy toward the other countries in the Southern African region shall be designed to encourage democratic forms of government, full respect for human rights, an end to cross-border terrorism, political independence, and economic development.

(b) The United States will work toward the purposes of subsection (a) by—

(1) helping to secure the independence of Namibia and the establishment of Namibia as a nonracial democracy in accordance with appropriate United Nations Security Council resolutions;

(2) supporting the removal of all foreign military forces from the region;

(3) encouraging the nations of the region to settle differences through peaceful means;

(4) promoting economic development through bilateral and multilateral economic assistance targeted at increasing opportunities in the productive sectors of national economies, with a particular emphasis on increasing opportunities for nongovernmental economic activities;

(5) encouraging, and when necessary, strongly demanding, that all countries of the region respect the human rights of their citizens and noncitizens residing in the country, and especially the release of persons persecuted for their political beliefs or detained without trial;

(6) encouraging, and when necessary, strongly demanding that all countries of the region take effective action to end cross-border terrorism; and

(7) providing appropriate assistance, within the limitations of American responsibilities at home and in other regions, to assist regional economic cooperation and the development of interregional transportation and other capital facilities necessary for economic growth.

POLICY TOWARD "FRONTLINE" STATES

SEC. 105. It is the sense of the Congress that the President should discuss with the governments of the African "frontline" states the effects on them of disruptions in transportation or other economic links through South Africa and of means of reducing those effects.

POLICY TOWARD A NEGOTIATED SETTLEMENT

SEC. 106. (a)(1) United States policy will seek to promote negotiations among representatives of all citizens of South Africa to determine a future political system that would permit all citizens to be full participants in the governance of their country. The United States recognizes that important and legitimate political parties in South Africa include several organizations that have been banned and will work for the unbanning of such organizations in order to permit legitimate political viewpoints to be represented at such negotiations. The United States also recognizes that some of the organizations fighting apartheid have become infiltrated by Communists and that Communists serve on the governing boards of such organizations.

(2) To this end, it is the sense of the Congress that the President, the Secretary of State, or other appropriate high-level United States officials should meet with the leaders of opposition organizations of South Africa, particularly but not limited to those organizations representing the black majority. Furthermore, the President, in concert with the major allies of the United States and other interested parties, should seek to bring together opposition political leaders with leaders of the Government of South Africa for the purpose of negotiations to achieve a transition to the postapartheid democracy envisioned in this Act.

(b) The United States will encourage the Government of South Africa and all participants to the negotiations to respect the right of all South Africans to form political parties, express political opinions, and otherwise participate in the political process without fear of retribution by either governmental or nongovernmental organizations. It is the sense of the Congress that a suspension of violence is an essential precondition for the holding of negotiations. The United States calls upon all parties to the conflict to agree to a suspension of violence.

(c) The United States will work toward the achievement of agreement to suspend violence and begin negotiations through coordinated actions with the major Western allies and with the governments of the countries in the region.

(d) It is the sense of the Congress that the achievement of an agreement for negotiations could be promoted if the United States and its major allies, such as Great Britain, Canada, France, Italy, Japan, and West Germany, would hold a meeting to develop a four-point plan to discuss with the Government of South Africa a proposal for stages of multilateral assistance to South Africa in return for the Government of South Africa implementing—

(1) an end to the state of emergency and the release of the political prisoners, including Nelson Mandela;

(2) the unbanning of the African National Congress, the Pan African Congress, the Black Consciousness Movement, and all other groups willing to suspend terrorism and to participate in negotiations and a democratic process;

(3) a revocation of the Group Areas Act and the Population Registration Act and the granting of universal citizenship to all South Africans, including homeland residents, and

(4) the use of the international offices of a third party as an intermediary to bring about negotiations with the object of the establishment of power sharing with the black majority.

POLICY TOWARD INTERNATIONAL COOPERATION ON MEASURES TO END APARTHEID

SEC. 107. (a) The Congress finds that—

(1) international cooperation is a prerequisite to an effective anti-apartheid policy and to the suspension of terrorism in South Africa, and

(2) the situation in South Africa constitutes an emergency in international relations and that action is necessary for the protection of the essential security interests of the United States.

(b) Accordingly, the Congress urges the President to seek such cooperation among all individuals, groups, and nations.

POLICY TOWARD NECKLACING

SEC. 108. It is the sense of the Congress that the African National Congress should strongly condemn and take effective actions against the execution by fire, commonly known as "necklacing", of any person in any country.

UNITED STATES AMBASSADOR TO MEET WITH NELSON MANDELA

SEC. 109. It is the sense of the Senate that the United States Ambassador should promptly make a formal request to the South African Government for the United States Ambassador to meet with Nelson Mandela.

POLICY TOWARD THE RECRUITMENT AND TRAINING OF BLACK SOUTH AFRICANS BY UNITED STATES EMPLOYERS

SEC. 110. (a) The Congress finds that—

(1) the policy of apartheid is abhorrent and morally repugnant;

(2) the United States believes strongly in the principles of democracy and individual freedoms;

(3) the United States endorses the policy of political participation of all citizens;

(4) a free, open, and vital economy is a primary means for achieving social equality and economic advancement for all citizens; and

(5) the United States is committed to a policy of securing and enhancing human rights and individual dignity throughout the world.

(b) It is the sense of the Congress that United States employers operating in South Africa are obliged both generally to actively oppose the policy and practices of apartheid and specifically to engage in recruitment and training of black and colored South Africans for management responsibilities.

TITLE II—MEASURES TO ASSIST VICTIMS OF APARTHEID

SCHOLARSHIPS FOR THE VICTIMS OF APARTHEID

SEC. 201. (a) Section 105(b) of the Foreign Assistance Act of 1961 is amended—

(1) by inserting "(1)" after "(b)"; and

(2) by adding at the end thereof the following new paragraph:

"(2)(A)(i) Of the amounts authorized to be appropriated to carry out this section for the fiscal years 1987, 1988, and 1989, not less than $4,000,000 shall be used in each such fiscal year to finance education, training, and scholarships for the victims of apartheid, including teachers and other educational professionals, who are attending universities and colleges in South Africa. Amounts available to carry out this subparagraph shall be provided in accordance with the provisions of section 302(c) of the International Security and Development Cooperation Act of 1985.

"(ii) Funds made available for each such fiscal year for purposes of chapter 4 of part II of this Act may be used to finance such education, training, and scholarships in lieu of an equal amount made available under this subparagraph.

"(B) In addition to amounts used for purposes of subparagraph (A), the agency primarily responsible for administering this part, in collaboration with other appropriate departments or agencies of the United States, shall use assistance provided under this section or chapter 4 of part II of this Act to finance scholarships for students pursuing secondary school education in South Africa. The selection of scholarship recipients shall be by a nationwide panel or by regional panels appointed by the United States chief of diplomatic mission to South Africa.

"(ii) Of the amounts authorized to be appropriated to carry out this section and chapter 4 of part II of this Act for the fiscal years 1987, 1988, and 1989, up to an aggregate of $1,000,000 may be used in each such fiscal year for purposes of this subparagraph.

"(C)(i) In addition to the assistance authorized in subparagraph (A), the agency primarily responsible for administering this part shall provide assistance for inservice teacher training programs in South Africa through such nongovernmental organizations as TOPS or teachers' unions.

"(ii) Of the amounts authorized to be appropriated to carry out this section and chapter 4 of part II of this Act, up to an aggregate of $500,000 for the fiscal year 1987 and up to an aggregate of $1,000,000 for the fiscal year 1988 may be used for purposes of this subparagraph, subject to standard procedures for project review and approval.".

(b) The Foreign Assistance Act of 1961 is amended by inserting after section 116 the following new section:

"SEC. 117. ASSISTANCE FOR DISADVANTAGED SOUTH AFRICANS.—In providing assistance under this chapter or under chapter 4 of part II of this Act for disadvantaged South Africans, priority shall be given to working with and through South African nongovernmental organizations whose leadership and staff are selected on a nonracial basis, and which have the support of the disadvantaged communities being served. The measure of this community support shall be the willingness of a substantial number of disadvantaged persons to participate in activities sponsored by these organizations. Such organizations to which such assistance may be provided include the Educational Opportunities Council, the South African Institute of Race Relations, READ, professional teachers' unions, the Outreach Program of the University of the Western Cape, the Funda Center in Soweto, SACHED, UPP Trust, TOPS, the Wilgespruit Fellowship Center (WFC), and civic and other organizations working at the community level which do not receive funds from the Government of South Africa.".

HUMAN RIGHTS FUND

SEC. 202. (a) Section 116(e)(2)(A) of the Foreign Assistance Act of 1961 is amended—

(1) by striking out "1984 and" and inserting in lieu thereof "1984,"; and

(2) by inserting after "1985" a comma and the following: "and $1,500,000 for the fiscal year 1986 and for each fiscal year thereafter".

(b) Section 116 of such Act is amended by adding at the end thereof the following new subsection:

"(j)(1) Of the funds made available to carry out subsection (e)(2)(A) for each fiscal year, not less than $500,000 shall be used for direct legal and other assistance to political detainees and prisoners and their families, including the investigation of the killing of protesters and prisoners, and for support for actions of black led community organizations to resist, through nonviolent means, the enforcement of apartheid policies such as—

"(A) removal of black populations from certain geographic areas on account of race or ethnic origin,

"(B) denationalization of blacks, including any distinctions between the South African citizenships of blacks and whites,

"(C) residence restrictions based on race or ethnic origin,

"(D) restrictions on the rights of blacks to seek employment in South Africa and to live wherever they find employment in South Africa, and

"(E) restrictions which make it impossible for black employees and their families to be housed in family accommodations near their place of employment.

"(2)(A) No grant under this subsection may exceed $100,000.

"(B) The average of all grants under this paragraph made in any fiscal year shall not exceed $70,000.

"(g) Of the funds made available to carry out subsection (e)(2)(A) for each fiscal year, $175,000 shall be used for direct assistance to families of victims of violence such as 'necklacing' and other such inhumane acts. An additional $175,000 shall be made available to black groups in South Africa which are actively working toward a multi-racial solution to the sharing of political power in that country through nonviolent, constructive means.".

EXPANDING PARTICIPATION IN THE SOUTH AFRICAN ECONOMY

SEC. 203. (a) The Congress declares that—

(1) the denial under the apartheid laws of South Africa of the rights of South African blacks and other nonwhites to have the opportunity to participate equitably in the South African economy as managers or owners of, or professionals in, business enterprises, and

(2) the policy of confining South African blacks and other nonwhites to the status of employees in minority-dominated businesses,

is an affront to the values of a free society.

(b) The Congress hereby—

(1) applauds the commitment of nationals of the United States adhering to the Code of Conduct to assure that South African blacks and other nonwhites are given assistance in gaining their rightful place in the South African economy; and

(2) urges the United States Government to assist in all appropriate ways the realization by South African blacks and other nonwhites of their rightful place in the South African economy.

(c) Notwithstanding any other provision of law, the Secretary of State and any other head of a department or agency of the United States carrying out activities in South Africa shall, to the maximum extent practicable, in procuring goods or services, make affirmative efforts to assist business enterprises having more than 50 percent beneficial ownership by South African blacks or other nonwhite South Africans.

EXPORT-IMPORT BANK OF THE UNITED STATES

SEC. 204. Section 2(b)(3) of the Export-Import Bank Act of 1945 is amended—

(1) by striking out "(3) In" and inserting in lieu thereof "(3)(A) Except as provided in subparagraph (B), in"; and

(2) by adding at the end thereof the following:

"(B) The Bank shall take active steps to encourage the use of its facilities to guarantee, insure, extend credit, or participate in the extension of credit to business enterprises in South Africa that are majority owned by South African blacks or other nonwhite South Africans. The certification requirement contained in clause (c) of subparagraph (A) shall not apply to exports to or purchases from business enterprises which are majority owned by South African blacks or other nonwhite South Africans.".

LABOR PRACTICES OF THE UNITED STATES GOVERNMENT IN SOUTH AFRICA

SEC. 205. (a) It is the sense of the Congress that the labor practices used by the United States Government—

(1) for the direct hire of South Africans,

(2) for the reimbursement out of official residence funds of South Africans and employees of South African organizations for their long-term employment services on behalf of the United States Government, and

(3) for the employment services of South Africans arranged by contract,

should represent the best of labor practices in the United States and should serve as a model for the labor practices of nationals of the United States in South Africa.

(b) The Secretary of State and any other head of a department or agency of the United States carrying out activities in South Africa shall promptly take, without regard to any provision of law, the necessary steps to ensure that the labor practices applied to the employment services described in paragraphs (1) through (3) of subsection (a) are governed by the Code of Conduct. Nothing in this section shall be construed to grant any employee of the United States the right to strike.

WELFARE AND PROTECTION OF VICTIMS OF APARTHEID BY THE UNITED STATES

SEC. 206. (a) The Secretary of State shall acquire, through lease or purchase, residential properties in the Republic of South Africa that shall be made available, at rents that are equitable, to assist victims of apartheid who are employees of the United States Government in obtaining adequate housing. Such properties shall be acquired only in neighborhoods which would be open to occupancy by other employees of the United States Government in South Africa.

(b) There are authorized to be appropriated $10,000,000 for the fiscal year 1987 to carry out the purposes of this section.

EMPLOYMENT PRACTICES OF UNITED STATES NATIONALS IN SOUTH AFRICA

SEC. 207. (a) Any national of the United States that employs more than 25 persons in South Africa shall take the necessary steps to insure that the Code of Conduct is implemented.

(b) No department or agency of the United States may intercede with any foreign government or foreign national regarding the export marketing activities in any country of any national of the United States employing more than 25 persons in South Africa that is not implementing the Code of Conduct.

CODE OF CONDUCT

SEC. 208. (a) The Code of Conduct referred to in sections 203, 205, 207, and 603 of this Act is as follows:

(1) desegregating the races in each employment facility;

(2) providing equal employment opportunity for all employees without regard to race or ethnic origin;

(3) assuring that the pay system is applied to all employees without regard to race or ethnic origin;

(4) establishing a minimum wage and salary structure based on the appropriate local minimum economic level which takes into account the needs of employees and their families;

(5) increasing by appropriate means the number of persons in managerial, supervisory, administrative, clerical, and technical jobs who are disadvantaged by the apartheid system for the purpose of significantly increasing their representation in such jobs;

(6) taking reasonable steps to improve the quality of employees' lives outside the work environment with respect to housing, transportation, schooling, recreation, and health; and

(7) implementing fair labor practices by recognizing the right of all employees, regardless of racial or other distinctions, to self-organization and to form, join, or assist labor organizations, freely and without penalty or reprisal, and recognizing the right to refrain from any such activity.

(b) It is the sense of the Congress that in addition to the principles enumerated in

subsection (a), nationals of the United States subject to section 207 should seek to comply with the following principle: taking reasonable measures to extend the scope of influence on activities outside the workplace, including—

(1) supporting the unrestricted rights of black businesses to locate in urban areas;

(2) influencing other companies in South Africa to follow the standards of equal rights principles;

(3) supporting the freedom of mobility of black workers to seek employment opportunities wherever they exist, and make provision for adequate housing for families of employees within the proximity of workers' employment; and

(4) supporting the rescission of all apartheid laws.

(c) The President may issue additional guidelines and criteria to assist persons who are or may be subject to section 207 in complying with the principles set forth in subsection (a) of this section. The President may, upon request, give an advisory opinion to any person who is or may be subject to this section as to whether that person is subject to this section or would be considered to be in compliance with the principles set forth in subsection (a).

(d) The President may require all nationals of the United States referred to in section 207 to register with the United States Government.

(e) Notwithstanding any other provision of law, the President may enter into contracts with one or more private organizations or individuals to assist in implementing this section.

PROHIBITION ON ASSISTANCE

SEC. 209. No assistance may be provided under this Act to any group which maintains within its ranks any individual who has been found to engage in gross violations of internationally recognized human rights (as defined in section 502B(d)(1) of the Foreign Assistance Act of 1961).

USE OF THE AFRICAN EMERGENCY RESERVE

SEC. 210. Whenever the President determines that such action is necessary or appropriate to meet food shortages in southern Africa, the President is authorized to utilize the existing, authorized, and funded reserve entitled the "Emergency Reserve for African Famine Relief" to provide food assistance and transportation for that assistance.

PROHIBITION ON ASSISTANCE TO ANY PERSON OR GROUP ENGAGING IN "NECKLACING"

SEC. 211. No assistance may be provided under this Act, the Foreign Assistance Act of 1961, or any other provision of law to any individual, group, organization, or member thereof, or entity that directly or indirectly engages in, advocates, supports, or approves the practice of execution by fire, commonly known as "necklacing".

PARTICIPATION OF SOUTH AFRICA IN AGRICULTURAL EXPORT CREDIT AND PROMOTION PROGRAMS

SEC. 212. Notwithstanding any other provision of this Act or any other provision of law, the Secretary of Agriculture may permit South Africa to participate in agricultural export credit and promotion programs conducted by the Secretary at similar levels, and under similar terms and conditions, as other countries that have traditionally purchased United States agricultural commodities and the products thereof.

TITLE III—MEASURES BY THE UNITED STATES TO UNDERMINE APARTHEID

PROHIBITION ON THE IMPORTATION OF KRUGERRANDS

SEC. 301. No person, including a bank, may import into the United States any South African krugerrand or any other gold coin minted in South Africa or offered for sale by the Government of South Africa.

PROHIBITION ON THE IMPORTATION OF MILITARY ARTICLES

SEC. 302. No arms, ammunition, or military vehicles produced in South Africa or any manufacturing data for such articles may be imported into the United States.

PROHIBITION ON THE IMPORTATION OF PRODUCTS FROM PARASTATAL ORGANIZATIONS

SEC. 303. (a) Notwithstanding any other provision of law, no article which is grown, produced, manufactured by, marketed, or otherwise exported by a parastatal organization of South Africa may be imported into the United States, (1) except for agricultural products during the 12 month period from the date of enactment; and (2) except for those strategic minerals for which the President has certified to the Congress that the quantities essential for the economy or defense of the United States are unavailable from reliable and secure suppliers and except for any article to be imported pursuant to a contract entered into before August 15, 1986: Provided, That no shipments may be received by a national of the United States under such contract after April 1, 1987.

(b) For purposes of this section, the term "parastatal organization" means a corporation or partnership owned or controlled or subsidized by the Government of South Africa, but does not mean a corporation or partnership which previously received start-up assistance from the South African Industrial Development Corporation but which is now privately owned.

PROHIBITION ON COMPUTER EXPORTS TO SOUTH AFRICA

SEC. 304. (a) No computers, computer software, or goods or technology intended to manufacture or service computers may be exported to or for use by any of the following entities of the Government of South Africa:

(1) The military.

(2) The police.

(3) The prison system.

(4) The national security agencies.

(5) ARMSCOR and its subsidiaries or the weapons research activities of the Council for Scientific and Industrial Research.

(6) The administering authorities for controlling the movements of the victims of apartheid.

(7) Any apartheid enforcing agency.

(8) Any local, regional, or homelands government entity which performs any function of any entity described in paragraphs (1) through (7).

(b)(1) Computers, computer software, and goods or technology intended to service computers may be exported, directly or indirectly, to or for use by an entity of the Government of South Africa other than those set forth in subsection (a) only if a system of end use verification is in effect to ensure that the computers involved will not be used for any function of any entity set forth in subsection (a).

(2) The Secretary of Commerce may prescribe such rules and regulations as may be necessary to carry out this section.

PROHIBITION ON LOANS TO THE GOVERNMENT OF SOUTH AFRICA

SEC. 305. (a) No national of the United States may make or approve any loan or other extension of credit, directly or indirectly, to the Government of South Africa or to any corporation, partnership or other organization which is owned or controlled by the Government of South Africa.

(b) The prohibition contained in subsection (a) shall not apply to—

(1) a loan or extension of credit for any education, housing, or humanitarian benefit which—

(A) is available to all persons on a nondiscriminatory basis; or

(B) is available in a geographic area accessible to all population groups without any legal or administrative restriction; or

(2) a loan or extension of credit for which an agreement is entered into before the date of enactment of this Act.

PROHIBITION ON AIR TRANSPORTATION WITH SOUTH AFRICA

SEC. 306. (a)(1) The President shall immediately notify the Government of South Africa of his intention to suspend the rights of any air carrier designated by the Government of South Africa under the Agreement Between the Government of the United States of America and the Government of the Union of South Africa Relating to Air Services Between Their Respective Territories, signed May 23, 1947, to service the routes provided in the Agreement.

(2) Ten days after the date of enactment of this Act, the President shall direct the Secretary of Transportation to revoke the right of any air carrier designated by the Government of South Africa under the Agreement to provide service pursuant to the Agreement.

(3) Ten days after the date of enactment of this Act, the President shall direct the Secretary of Transportation not to permit or otherwise designate any United States air carrier to provide service between the United States and South Africa pursuant to the Agreement.

(b)(1) The Secretary of State shall terminate the Agreement Between the Government of the United States of America and the Government of the Union of South Africa Relating to Air Services Between Their Respective Territories, signed May 23, 1947, in accordance with the provisions of that agreement.

(2) Upon termination of such agreement, the Secretary of Transportation shall prohibit any aircraft of a foreign air carrier owned, directly or indirectly, by the Government of South Africa or by South African nationals from engaging in air transportation with respect to the United States.

(3) The Secretary of Transportation shall prohibit the takeoff and landing in South Africa of any aircraft by an air carrier owned, directly or indirectly, or controlled by a national of the United States or by any corporation or other entity organized under the laws of the United States or of any State.

(c) The Secretary of Transportation may provide for such exceptions from the prohibition contained in subsection (a) or (b) as the Secretary considers necessary to provide for emergencies in which the safety of an aircraft or its crew or passengers is threatened.

(d) For purposes of this section, the terms "aircraft", "air transportation", and "foreign air carrier" have the meanings given those terms in section 101 of the Federal Aviation Act of 1958 (49 U.S.C. 1301).

PROHIBITIONS ON NUCLEAR TRADE WITH SOUTH AFRICA

SEC. 307. (a) Notwithstanding any other provision of law—

(1) the Nuclear Regulatory Commission shall not issue any license for the export to South Africa of production or utilization facilities, any source or special nuclear material or restricted nuclear technology, or any component parts, items or substances which the Commission has determined, pursuant to section 109 of the Atomic Energy Act, to be especially relevant from the standpoint of export control because of their significance for nuclear explosive purposes;

(2) the Secretary of Commerce shall not issue any license for the export to South Africa of any goods or technology which have been determined, pursuant to section 309(c) of the Nuclear Non Proliferation Act

1978, to be of significance for nuclear explosive purposes (or use in, or judged by the President to be likely to be diverted to, a South African production or utilization facility;

(3) the Secretary of Energy shall not, under section 57b.(2) of the Atomic Energy Act, authorize any person to engage, directly or indirectly, in the production of special nuclear material in South Africa; and

(4) no goods, technology, source or special nuclear material, facilities, components, items, or substances referred to in clauses (1) through (3) shall be approved by the Nuclear Regulatory Commission or an executive branch agency for retransfer to South Africa,

unless the Secretary of State determines and certifies to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate that the Government of South Africa is a party to the Treaty on the Non-Proliferation of Nuclear Weapons, done at Washington, London, and Moscow on July 1, 1968, or otherwise maintains International Atomic Energy Agency safeguards on all its peaceful nuclear activities, as defined in the Nuclear Non-Proliferation Act of 1978.

(b) Nothing in this section shall preclude—

(1) any export, retransfer, or activity generally licensed or generally authorized by the Nuclear Regulatory Commission or the Department of Commerce or the Department of Energy; or

(2) assistance for the purpose of developing or applying International Atomic Energy Agency or United States bilateral safeguards, for International Atomic Energy Agency programs generally available to its member states, for reducing the use of highly enriched uranium in research or test reactors, or for other technical programs for the purpose of reducing proliferation risks, such as programs to extend the life of reactor fuel and activities envisaged by section 223 of the Nuclear Waste Policy Act of 1982 or which are necessary for humanitarian reasons to protect the public health and safety.

(c) The prohibitions contained in subsection (a) shall not apply with respect to a particular export, retransfer, or activity, or a group of exports, retransfers, or activities, if the President determines that to apply the prohibitions would be seriously prejudicial to the achievement of United States nonproliferation objectives or would otherwise jeopardize the common defense and security of the United States and, if at least 60 days before the initial export, retransfer, or activity is carried out, the President submits to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate a report setting forth that determination, together with his reasons therefor.

GOVERNMENT OF SOUTH AFRICA BANK ACCOUNTS

SEC. 308. (a) A United States depository institution may not accept, receive, or hold a deposit account from the Government of South Africa or from any agency or entity owned or controlled by the Government of South Africa except for such accounts which may be authorized by the President for diplomatic or consular purposes. For purposes of the preceding sentence, the term "depository institution" has the same meaning as in section 19(b)(1) of the Federal Reserve Act.

(b) The prohibition contained in subsection (a) shall take effect 45 days after the date of enactment of this Act.

PROHIBITION ON IMPORTATION OF URANIUM AND COAL FROM SOUTH AFRICA

SEC. 309. (a) Notwithstanding any other provision of law, no—

(1) uranium ore,

(2) uranium oxide,

(3) coal, or

(4) textiles,

that is produced or manufactured in South Africa may be imported into the United States.

(b) This section shall take effect 90 days after the date of enactment of this Act.

PROHIBITION ON NEW INVESTMENT IN SOUTH AFRICA

SEC. 310. (a) No national of the United States may, directly or through another person, make any new investment in South Africa.

(b) The prohibition contained in subsection (a) shall take effect 45 days after the date of enactment of this Act.

(c) The prohibition contained in this section shall not apply to a firm owned by black South Africans.

TERMINATION OF CERTAIN PROVISIONS

SEC. 311. (a) This title and sections 501(c) and 504(b) shall terminate if the Government of South Africa—

(1) releases all persons persecuted for their political beliefs or detained unduly without trial and Nelson Mandela from prison;

(2) repeals the state of emergency in effect on the date of enactment of this Act and releases all detainees held under such state of emergency;

(3) unbans democratic political parties and permits the free exercise by South Africans of all races of the right to form political parties, express political opinions, and otherwise participate in the political process;

(4) repeals the Group Areas Act and the Population Registration Act and institutes no other measures with the same purposes; and

(5) agrees to enter into good faith negotiations with truly representative members of the black majority without preconditions.

(b) The President may suspend or modify any of the measures required by this title or section 501(c) or section 504(b) thirty days after he determines, and so reports to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate, that the Government of South Africa has—

(1) taken the action described in paragraph (1) of subsection (a),

(2) taken three of the four actions listed in paragraphs (2) through (5) of subsection (a), and

(3) made substantial progress toward dismantling the system of apartheid and establishing a nonracial democracy,

unless the Congress enacts within such 30-day period, in accordance with section 602 of this Act, a joint resolution disapproving the determination of the President under this subsection.

(c) It is the policy of the United States to support the negotiations with the representatives of all communities as envisioned in this Act. If the South African Government agrees to enter into negotiations without preconditions, abandons unprovoked violence against its opponents, commits itself to a free and democratic post-apartheid South Africa under a code of law; and if nonetheless the African National Congress, the Pan African Congress, or their affiliates, or other organizations, refuse to participate, or if the African National Congress, the Pan African Congress or other organizations—

(1) refuse to abandon unprovoked violence during such negotiations, and

(2) refuse to commit themselves to a free and democratic post-apartheid South Africa under a code of law,

then the United States will support negotiations which do not include these organizations.

POLICY TOWARD VIOLENCE OR TERRORISM

SEC. 312. (a) United States policy toward violence in South Africa shall be designed to bring about an immediate end to such violence and to promote negotiations concluding with a removal of the system of apartheid and the establishment of a non-racial democracy in South Africa.

(b) The United States shall work toward this goal by diplomatic and other measures designed to isolate those who promote terrorist attacks on unarmed civilians or those who provide assistance to individuals or groups promoting such activities.

(c) The Congress declares that the abhorrent practice of "necklacing" and other equally inhumane acts which have been practices in South Africa by blacks against fellow blacks are an affront to all throughout the world who value the rights of individuals to live in an atmosphere free from fear of violent reprisals.

TERMINATION OF TAX TREATY AND PROTOCOL

SEC. 313. The Secretary of State shall terminate immediately the following convention and protocol, in accordance with its terms, the Convention Between the Government of the United States of America and the Government of the Union of South Africa for the Avoidance of Double Taxation and for Establishing Rules of Reciprocal Administrative Assistance With Respect to Taxes on Income, done at Pretoria on December 13, 1946, and the protocol relating thereto.

PROHIBITION ON UNITED STATES GOVERNMENT PROCUREMENT FROM SOUTH AFRICA

SEC. 314. On or after the date of enactment of this Act, no department, agency or any other entity of the United States Government may enter into a contract for the procurement of goods or services from parastatal organizations except for items necessary for diplomatic and consular purposes.

PROHIBITION ON THE PROMOTION OF UNITED STATES TOURISM IN SOUTH AFRICA

SEC. 315. None of the funds appropriated or otherwise made available by any provision of law may be available to promote United States tourism in South Africa.

PROHIBITION ON UNITED STATES GOVERNMENT ASSISTANCE TO, INVESTMENT IN, OR SUBSIDY FOR TRADE WITH, SOUTH AFRICA

SEC. 316. None of the funds appropriated or otherwise made available by any provision of law may be available for any assistance to investment in, or any subsidy for trade with, South Africa, including but not limited to funding for trade missions in South Africa and for participation in exhibitions and trade fairs in South Africa.

PROHIBITION ON SALE OR EXPORT OF ITEMS ON MUNITIONS LIST

SEC. 317. (a) Except as provided in subsection (b), no item contained on the United States Munition List which is subject to the jurisdiction of the United States may be exported to South Africa.

(b) Subsection (a) does not apply to any item which is not covered by the United Nations Security Council Resolution 418 of November 4, 1977, and which the President determines is exported solely for commercial purposes and not exported for use by the armed forces, police, or other security forces of South Africa or for other military use.

(c) The President shall prepare and submit to Congress every six months a report describing any license issued pursuant to subsection (b).

MUNITIONS LIST SALES, NOTIFICATION

SEC. 318. (a) Notwithstanding any other provision of this Act, the President shall:

(1) notify the Congress of his intent to allow the export to South Africa any item

which is on the United States Munitions List and which is not covered by the United Nations Security Council Resolution 418 of November 4, 1977, and

(ii) certify that such item shall be used solely for commercial purposes and not exported for use by the armed forces, police, or other security forces of South Africa or for other military use.

(b) The Congress shall have 30 calendar days of continuous session (computed as provided in section 906(b) of title 5, United States Code) to disapprove by joint resolution of any such sale.

PROHIBITION ON IMPORTATION OF SOUTH AFRICAN AGRICULTURAL PRODUCTS AND FOOD

SEC. 319. Notwithstanding any other provision of law, no

(1) agricultural commodity, product, by-product of derivative thereof,

(2) article that is suitable for human consumption that is a product of South Africa may be imported into the customs territory of the United States after the date of enactment of this Act.

PROHIBITION ON IMPORTATION OF IRON AND STEEL

SEC. 320. Notwithstanding any other provision of law, no iron or steel produced in South Africa may be imported into the United States.

PROHIBITION ON EXPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS

SEC. 321. (a) No crude oil or refined petroleum product which is subject to the jurisdiction of the United States or which is exported by a person subject to the jurisdiction of the United States may be exported to South Africa.

(b) Subsection (a) does not apply to any export pursuant to a contract entered into before the date of enactment of this Act.

PROHIBITION ON COOPERATION WITH THE ARMED FORCES OF SOUTH AFRICA

SEC. 322. No agency or entity of the United States may engage in any form of cooperation, direct or indirect, with the armed forces of the Government of South Africa, except activities which are reasonably designed to facilitate the collection of necessary intelligence. Each such activity shall be considered a significant anticipated intelligence activity for purposes of section 501 of the National Security Act of 1947.

PROHIBITIONS ON SUGAR IMPORTS

SEC. 323. (a)(1) Notwithstanding any other provision of law, no sugars, sirups, or molasses that are products of the Republic of South Africa may be imported into the United States after the date of enactment of this Act.

(2) The aggregate quantity of sugars, sirups, and molasses that—

(A) are products of the Philippines, and

(B) may be imported into the United States (determined without regard to this paragraph) under any limitation imposed by law on the quantity of all sugars, sirups, and molasses that may be imported into the United States during any period of time occurring after the date of enactment of this Act,

shall be increased by the aggregate quantity of sugars, sirups, and molasses that are products of the Republic of South Africa which may have been imported into the United States under such limitation during such period if this section did not apply to such period.

(b)(1) Paragraph (c)(ii) of headnote 3 of subpart A of part 10 of schedule 1 of the Tariff Schedules of the United States is amended—

(A) by striking out "13.5" in the item relating to the Philippines in the table and inserting in lieu thereof "15.5", and

(B) by striking out the item relating to the Republic of South Africa in the table.

(2) Paragraph (c) of headnote 3 of subpart A of part 10 of schedule 1 of the Tariff Schedules of the United States is amended by adding at the end thereof the following new subparagraph:

"(iii) Notwithstanding any authority given to the United States Trade Representative under paragraphs (c) and (g) of this headnote—

"(A) the percentage allocation made to the Philippines under this paragraph may not be reduced, and

"(B) no allocation may be made to the Republic of South Africa,

in allocating any limitation imposed under any paragraph of this headnote on the quantity of sugars, sirups, and molasses described in items 155.20 and 155.30 which may be entered.".

TITLE IV—MULTILATERAL MEASURES TO UNDERMINE APARTHEID

NEGOTIATING AUTHORITY

SEC. 401. (a) It is the policy of the United States to seek international cooperative agreements with the other industrialized democracies to bring about the complete dismantling of apartheid. Sanctions imposed under such agreements should be both direct and official executive or legislative acts of governments. The net economic effect of such cooperative should be measurably greater than the net economic effect of the measures imposed by this Act.

(b)(1) Negotiations to reach international cooperative arrangements with the other industrialized democracies and other trading partners of South Africa on measures to bring about the complete dismantling of apartheid should begin promptly and should be concluded not later than 180 days from the enactment of this Act. During this period, the President or, at his direction, the Secretary of State should convene an international conference of the other industrialized democracies in order to reach cooperative agreements to impose sanctions against South Africa to bring about the complete dismantling of apartheid.

(2) The President shall, not less than 180 days after the date of enactment of this Act, submit to the Congress a report containing—

(A) a description of United States efforts to negotiate multilateral measures to bring about the complete dismantling of apartheid; and

(B) a detailed description of economic and other measures adopted by the other industrialized countries to bring about the complete dismantling of apartheid, including an assessment of the stringency with which such measures are enforced by those countries.

(c) If the President successfully concludes an international agreement described in subsection (b)(1), he may, after such agreement enters into force with respect to the United States, adjust, modify, or otherwise amend the measures imposed under any provision of sections 301 through 310 to conform with such agreement.

(d) Each agreement submitted to the Congress under this subsection shall enter into force with respect to the United States if (and only if)—

(1) the President, not less than 30 days before the day on which he enters into such agreement, notifies the House of Representatives and the Senate of his intention to enter into such an agreement, and promptly thereafter publishes notice of such intention in the Federal Register,

(2) after entering into the agreement, the President transmits to the House of Representatives and to the Senate a document containing a copy of the final legal text of such agreement, together with—

(A) a description of any administrative action proposed to implement such agreement, and an explanation as to how the proposed administrative action would change or affect existing law, and

(B) a statement of his reasons as to how the agreement serves the interest of United States foreign policy and as to why the proposed administrative action is required or appropriate to carry out the agreement, and

(3) a joint resolution approving such agreement has been enacted within 30 days of transmittal of such document to the Congress.

(e) It is the sense of the Congress that the President should instruct the Permanent Representative of the United States to the United Nations to propose that the United Nations Security Council, pursuant to Article 41 of the United Nations Charter, impose measures against South Africa of the same type as are imposed by this Act.

LIMITATION ON IMPORTS FROM OTHER COUNTRIES

SEC. 402. The President is authorized to limit the importation into the United States of any product or service of a foreign country to the extent to which such foreign country benefits from, or otherwise takes commercial advantage of, any sanction or prohibition against any national of the United States imposed by or under this Act.

PRIVATE RIGHT OF ACTION

SEC. 403. (a) Any national of the United States who is required by this Act to terminate or curtail business activities in South Africa may bring a civil action for damages against any person, partnership, or corporation that takes commercial advantage or otherwise benefits from such termination or curtailment.

(b) The action described in subsection (a) may only be brought, without respect to the amount in controversy, in the United States district court for the District of Columbia or the Court of International Trade. Damages which may be recovered include lost profits and the cost of bringing the action, including a reasonable attorney's fee.

(c) The injured party must show by a preponderance of the evidence that the damages have been the direct result of defendant's action taken with the deliberate intent to injure the party.

TITLE V—FUTURE POLICY TOWARD SOUTH AFRICA

ADDITIONAL MEASURES

SEC. 501. (a) It shall be the policy of the United States to impose additional measures against the Government of South Africa if substantial progress has not been made within twelve months of the date of enactment of this Act in ending the system of apartheid and establishing a nonracial democracy.

(b) The President shall prepare and transmit to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate within twelve months of the date of enactment of this Act, and every twelve months thereafter, a report on the extent to which significant progress has been made toward ending the system of apartheid, including—

(1) an assessment of the extent to which the Government of South Africa has taken the steps set forth in section 101(b) of this Act,

(2) an analysis of any other actions taken by the Government of South Africa in ending the system of apartheid and moving toward a nonracial democracy, and

(3) the progress or lack of progress made in reaching a negotiated settlement to the conflict in South Africa.

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(c) If the President determines that significant progress has not been made by the Government of South Africa in ending the system of apartheid and establishing a nonracial democracy, the President shall include in the report required by subsection (b) a recommendation on which of the following additional measures should be imposed:

(1) a prohibition on the importation of steel from South Africa;

(2) a prohibition on military assistance to those countries that the report required by section 508 identifies as continuing to circumvent the international embargo on arms and military technology to South Africa;

(3) a prohibition on the importation of food, agricultural products, diamonds, and textiles from South Africa;

(4) a prohibition on United States banks accepting, receiving, or holding deposit accounts from South African nationals; and

(5) a prohibition on the importation into the United States of strategic minerals from South Africa.

(d) A joint resolution which would enact part or all of the measures recommended by the President pursuant to subsection (c) shall be considered in accordance with the provisions of section 602 of this Act.

LIFTING OF PROHIBITIONS

SEC. 502. (a) Notwithstanding any other provision of this Act, the President may lift any prohibition contained in this Act imposed against South Africa if the President determines, after six months from the date of the imposition of such prohibition, and so reports to Congress, that such prohibition would increase United States dependence upon any member country or observer country of the Council for Mutual Economic Assistance (C.M.E.A.) for the importation of coal or any strategic and critical material by an amount which exceeds by weight the average amounts of such imports from such country during the period 1981 through 1985.

(b)(1) Not later than 30 days after the date of enactment of this Act, the Secretary of Commerce shall prepare and transmit to the Congress a report setting forth for each country described in subsection (a)—

(A) the average amount of such imports from such country during the period of 1981 through 1985; and

(B) the current amount of such imports from such country entering the United States.

(2) Thirty days after transmittal of the report required by paragraph (1) and every thirty days thereafter, the President shall prepare and transmit the information described in paragraph (1)(B).

STUDY OF HEALTH CONDITIONS IN THE "HOMELANDS" AREAS OF SOUTH AFRICA

SEC. 503. The Secretary of State shall conduct a study to examine the state of health conditions and to determine the extent of starvation and malnutrition now prevalent in the "homelands" areas of South Africa and shall, not later than December 1, 1986, prepare and transmit to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate a report setting forth the results of such study.

REPORT ON SOUTH AFRICAN IMPORTS

SEC. 504. (a) Not later than 90 days after the date of enactment of this Act, the President shall submit to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate a report on the extent to which the United States is dependent on the importation from South Africa of—

(1) chromium,

(2) cobalt,

(3) manganese,

(4) platinum group metals,

(5) ferroalloys, and

(6) other strategic and critical materials (within the meaning of the Strategic and Critical Materials Stock Piling Act).

(b) The President shall develop a program which reduces the dependence, if any, of the United States on the importation from South Africa of the materials identified in the report submitted under subsection (a).

STUDY AND REPORT ON THE ECONOMY OF SOUTHERN AFRICA

SEC. 505. (a) The President shall conduct a study on the role of American assistance in southern Africa to determine what needs to be done, and what can be done to expand the trade, private investment, and transport prospects of southern Africa's landlocked nations.

(b) Not later than 180 days after the date of enactment of this Act, the President shall prepare and transmit to the chairman of the Committee on Foreign Affairs of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate a report setting forth the findings of the study conducted under subsection (a).

REPORT ON RELATIONS BETWEEN OTHER INDUSTRIALIZED DEMOCRACIES AND SOUTH AFRICA

SEC. 506. (a) Not later than 180 days after the date of enactment of this Act, the President shall prepare and transmit to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate a report containing a detailed assessment of the economic and other relationships of other industrialized democracies with South Africa. Such report shall be transmitted without regard to whether or not the President successfully concluded an international agreement under section 401.

(b) For purposes of this section, the phrase "economic and other relationships" includes the same types of matters as are described in sections 201, 202, 204, 205, 206, 207, sections 301 through 307, and sections 309 and 310 of this Act.

STUDY AND REPORT ON DEPOSIT ACCOUNTS OF SOUTH AFRICAN NATIONALS IN UNITED STATES BANKS

SEC. 507. (a)(1) The Secretary of the Treasury shall conduct a study on the feasibility of prohibiting each depository institution from accepting, receiving, or holding a deposit account from any South African national.

(2) For purposes of paragraph (1), the term "depository institution" has the same meaning as in section 19(b)(1) of the Federal Reserve Act.

(b) Not later than 180 days after the date of enactment of this Act, the Secretary of the Treasury shall submit to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate a report detailing the findings of the study required by subsection (a).

STUDY AND REPORT ON THE VIOLATION OF THE INTERNATIONAL EMBARGO ON SALE AND EXPORT OF MILITARY ARTICLES TO SOUTH AFRICA

SEC. 508. (a) The President shall conduct a study on the extent to which the international embargo on the sale and exports of arms and military technology to South Africa is being violated.

(b) Not later than 179 days after the date of enactment of this Act, the President shall submit to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate a report setting forth the findings of the study required by subsection (a), including an identification of those countries engaged in such sale or export, with a view to terminating United States military assistance to those countries.

REPORT ON COMMUNIST ACTIVITIES IN SOUTH AFRICA

SEC. 509. (a) Not later than 90 days after the date of enactment of this Act, the President shall prepare and transmit to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Affairs of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate an unclassified version of a report, prepared with the assistance of the Director of the Central Intelligence Agency, the Director of the Defense Intelligence Agency, the National Security Advisor, and other relevant United States Government officials in the intelligence community, which shall set forth the activities of the Communist Party in South Africa, the extent to which Communists have infiltrated the many black and nonwhite South African organizations engaged in the fight against the apartheid system, and the extent to which any such Communist infiltration or influence sets the policies and goals of the organizations with which they are involved.

(b) At the same time the unclassified report in subsection (a) is transmitted as set forth in that subsection, a classified version of the same report shall be transmitted to the chairmen of the Select Committee on Intelligence of the Senate and of the Permanent Select Committee on Intelligence of the House of Representatives.

PROHIBITION ON THE IMPORTATION OF SOVIET GOLD COINS

SEC. 510. (a) No person, including a bank, may import into the United States any gold coin minted in the Union of Soviet Socialist Republics or offered for sale by the Government of the Union of Soviet Socialist Republics.

(b) For purposes of this section, the term "United States" includes the States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States.

(c) Any individual who violates this section or any regulations issued to carry out this section shall be fined not more than five times the value of the rubles involved.

ECONOMIC SUPPORT FOR DISADVANTAGED SOUTH AFRICANS

SEC. 511. (a) Chapter 4 of part II of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new section:

"SEC. 535. ECONOMIC SUPPORT FOR DISADVANTAGED SOUTH AFRICANS.—(a)(1) Up to $40,000,000 of the funds authorized to be appropriated to carry out this chapter for the fiscal year 1987 and each fiscal year thereafter shall be available for assistance for disadvantaged South Africans. Assistance under this section shall be provided for activities that are consistent with the objective of a majority of South Africans for an end to the apartheid system and the establishment of a society based on non-racial principles. Such activities may include scholarships, assistance to promote the participation of disadvantaged South Africans in trade unions and private enterprise, alternative education and community development programs.

"(2) Up to $3,000,000 of the amounts provided in each fiscal year pursuant to subsection (a) shall be available for training programs for South Africa's trade unionists.

"(b) Assistance provided pursuant to this section shall be made available notwithstanding any other provision of law and shall not be used to provide support to organizations or groups which are financed or controlled by the Government of South Africa. Nothing in this subsection may be construed to prohibit programs which are

consistent with subsection (c) and which guard scholarships to students who choose to attend South African-supported institutions."

(b) Not later than 90 days after the date of enactment of this Act, the Secretary of State shall prepare and transmit to the Congress a report describing the strategy of the President during the five-year period beginning on such date regarding the assistance of black Africans pursuant to section 535 of the Foreign Assistance Act of 1961 and describing the programs and projects to be funded under such section.

REPORT ON THE AFRICAN NATIONAL CONGRESS

SEC. 512. (a) Not later than 180 days after the date of enactment of this Act, the Attorney General shall prepare and transmit to the Congress a report on actual and alleged violations of the Foreign Agents Registration Act of 1938, and the status of any investigation pertaining thereto, by representatives of governments or opposition movements in Subsaharan Africa, including, but not limited to, members or representatives of the African National Congress.

(b) For purposes of conducting any investigations necessary in order to provide a full and complete report, the Attorney General shall have full authority to utilize civil investigative demand procedures, including but not limited to the issuance of civil subpenas.

TITLE VI—ENFORCEMENT AND ADMINISTRATIVE PROVISIONS

REGULATORY AUTHORITY

SEC. 601. The President shall issue such rules, regulations, licenses, and orders as are necessary to carry out the provisions of this Act, including taking such steps as may be necessary to continue in effect the measures imposed by Executive Order 12532 of September 9, 1985, and Executive Order 12535 of October 1, 1985, and by any rule, regulation, license, or order issued thereunder (to the extent such measures are not inconsistent with this Act).

CONGRESSIONAL PRIORITY PROCEDURES

SEC. 602. (a)(1) The provisions of this subsection apply to the consideration in the House of Representatives of a joint resolution under sections 311(b), 401(d), and 501(d).

(2) A joint resolution shall, upon introduction, be referred to the Committee on Foreign Affairs of the House of Representatives.

(3)(A) At any time after the joint resolution placed on the appropriate calendar has been on that calendar for a period of 5 legislative days, it is in order for any Member of the House (after consultation with the Speaker as to the most appropriate time for the consideration of that joint resolution) to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of that joint resolution. The motion is highly privileged and is in order even though a previous motion to the same effect has been disagreed to. All points of order against the joint resolution under clauses 2 and 6 of Rule XXI of the Rules of the House are waived. If the motion is agreed to, the resolution shall remain the unfinished business of the House until disposed of. A motion to reconsider the vote by which the motion is disagreed to shall not be in order.

(B) Debate on the joint resolution shall not exceed ten hours, which shall be divided equally between a Member favoring and a Member opposing the joint resolution. A motion to limit debate is in order at any time in the House or in the Committee of the Whole and is not debatable.

(C) An amendment to the joint resolution is not in order.

(D) At the conclusion of the debate on the joint resolution, the Committee of the Whole shall rise and report the joint resolution back to the House and the previous question shall be considered as ordered on the joint resolution to final passage without intervening motion.

(b)(1) The provisions of this subsection apply to the consideration in the Senate of a joint resolution under section 311(b), 401(d), or 501(d).

(2) A joint resolution shall upon introduction be referred to the Committee on Foreign Relations of the Senate.

(3) A joint resolution described in this section shall be considered in the Senate in accordance with procedures contained in paragraphs (3) through (7) of section 8066(c) of the Department of Defense Appropriations Act, 1985 (as contained in Public Law 98-473), except that—

(A) references in such paragraphs to the Committee on Appropriations of the Senate shall be deemed to be references to the Committee on Foreign Relations of the Senate; and

(B) amendments to the joint resolution are in order.

(c) For purposes of this subsection, the term "joint resolution" means only—

(A) in the case of section 311(b), a joint resolution which is introduced in a House of Congress within 3 legislative days after the Congress receives the report described in section 311(b) and for which the matter after the resolving clause reads as follows: "That the Congress, having received on the report of the President containing the determination required by section 311(b) of the Comprehensive Anti-Apartheid Act of 1986, disapproves of such determination.", with the date of the receipt of the report inserted in the blank;

(B) in the case of section 401(d)(3), a joint resolution which is introduced in a House of Congress within 3 legislative days after the Congress receives the document described in section 401(d)(2) and for which the matter after the resolving clause reads as follows: "That the Congress, having received on the text of the international agreement described in section 401(d)(3) of the Comprehensive Anti-Apartheid Act of 1986, approves of such agreement.", with the date of the receipt of the text of the agreement inserted in the blank; and

(C) in the case of section 501(d), a joint resolution which is introduced in a House of Congress within 3 legislative days after the Congress receives the determination of the President pursuant to section 501(c) and for which the matter after the resolving clause reads as follows: "That the Congress, having received on a determination of the President under section 501(c) of the Comprehensive Anti-Apartheid Act of 1986, approves the President's determination.", with the date of the receipt of the determination inserted in the blank.

(d) As used in this section, the term "legislative day" means a day on which the House of Representatives or the Senate is in session, as the case may be.

(e) This section is enacted—

(1) as an exercise of the rulemaking powers of the House of Representatives and the Senate, and as such it is deemed a part of the Rules of the House and the Rules of the Senate, respectively, but applicable only with respect to the procedure to be followed in the House and the Senate in the case of joint resolutions under this section, and it supersedes other rules only to the extent that it is inconsistent with such rules; and

(2) with full recognition of the constitutional right of the House and the Senate to change their rules at any time, in the same manner, and to the same extent as in the case of any other rule of the House of Senate, and of the right of the Committee on Rules of the House of Representatives to report a resolution for the consideration of any measure.

ENFORCEMENT AND PENALTIES

SEC. 603. (a)(1) The President with respect to his authorities under section 601 shall take the necessary steps to ensure compliance with the provisions of this Act and any regulations, licenses, and orders issued to carry out this Act, including establishing mechanisms to monitor compliance with this Act and such regulations, licenses, and orders.

(2) In ensuring such compliance, the President may—

(A) require any person to keep a full record of, and to furnish under oath, in the form of reports or otherwise, complete information relative to any act or transaction described in this Act either before, during, or after the completion thereof, or relative to any interest in foreign property or relative to any property in which a foreign country or any national thereof has or has had any interest, or as may be otherwise necessary to enforce the provisions of this Act; and

(B) conduct investigations, hold hearings, administer oaths, examine witnesses, receive evidence, take depositions, and require by subpena the attendance and testimony of witnesses and the production of all books, papers, and documents relating to any matter under investigation.

(b) Except as provided in subsection (d)—

(1) any person that violates the provisions of this Act, or any regulation, license, or order issued to carry out this Act shall be subject to a civil penalty of $50,000;

(2) any person, other than an individual, that willfully violates the provisions of this Act, or any regulation, license, or order issued to carry out this Act shall be fined not more than $1,000,000;

(3) any individual who willfully violates the provisions of this Act or any regulation, license, or order issued to carry out this Act shall be fined not more than $50,000, or imprisoned not more than 10 years, or both; and

(4) any individual who violates section 301(a) or any regulations issued to carry out that section shall, instead of the penalty set forth in paragraph (2), be fined not more than 5 times the value of the krugerrands or gold coins involved.

(c)(1) Whenever a person commits a violation under subsection (b)—

(A) any officer, director, or employee of such person, or any natural person in control of such person who knowingly and willfully ordered, authorized, acquiesced in, or carried out the act or practice constituting the violation; and

(B) any agent of such person who knowingly and willfully carried out such act or practice;

shall be fined not more than $10,000, or imprisoned not more than 5 years, or both.

(2) Paragraph (1) shall not apply in the case of a violation by an individual of section 301(a) of this Act or of any regulation issued to carry out that section.

(3) A fine imposed under paragraph (1) on an individual for an act or practice constituting a violation may not be paid, directly or indirectly, by the person committing the violation itself.

(d)(1) Any person who violates any regulation issued under section 208(d), or who, in a registration statement or report required by the Secretary of State, makes any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, shall be subject to a

civil penalty of not more than $10,000 imposed by the Secretary of State. The provisions of subsections (d), (e), and (f) of section 11 of the Export Administration Act of 1979 shall apply with respect to any such civil penalty.

"(2) Any person who commits a willful violation under paragraph (1) shall upon conviction be fined not more than $1,000,000 or imprisoned not more than 2 years, or both.

"(3) Nothing in this section may be construed to authorize the imposition of any penalty for failure to implement the Code of Conduct.

APPLICABILITY TO EVASIONS OF ACT

SEC. 604. This Act and the regulations issued to carry out this Act shall apply to any person who undertakes or causes to be undertaken any transaction or activity with the intent to evade this Act or such regulations.

CONSTRUCTION OF ACT

SEC. 605. Nothing in this Act shall be construed as constituting any recognition by the United States of the homelands referred to in this Act.

STATE OR LOCAL ANTI-APARTHEID LAWS, ENFORCE

SEC. 606. Notwithstanding section 210 of Public Law 99-349 or any other provision of law—

(1) no reduction in the amount of funds or which a State or local government is eligible or entitled under any Federal law may be made, and

(2) no other penalty may be imposed by the Federal Government,

by reason of the application of any State or local law concerning apartheid to any contract entered into by a State or local government for 90 days after the date of enactment of this Act.

The SPEAKER pro tempore. The gentleman from Florida [Mr. FASCELL] will be recognized for 30 minutes and the gentleman from Michigan [Mr. BROOMFIELD] will be recognized for 30 minutes.

Before the gentleman from Florida is recognized, would the gentleman from California [Mr. DIXON] take the chair.

The SPEAKER pro tempore (Mr. DIXON). The Chair recognizes the gentleman from Florida [Mr. FASCELL].

Mr. FASCELL. Mr. Speaker, I yield myself 2½ minutes.

Mr. Speaker, the matter which I bring before the House today is intended to assist in the formulation of a bipartisan United States policy toward South Africa, encouraging that Government to dismantle its system of apartheid.

During the 99th Congress, the House has passed several bills imposing sanctions on South Africa—none have been enacted into law. By approving the motion which I offer today, we have a real opportunity to have United States policy toward South Africa enacted into law. Both Houses of Congress have recognized the need for a change in U.S. policy. The motion I offer today is intended to bring about a change in that policy.

On June 18, the House passed a strong sanctions bill, H.R. 4868. The Senate amendment to that bill, while not as strong as the House bill, is a good bill. It will send a strong bipartisan message to the Government and people of South Africa.

I know many Members would like to strengthen the bill. It is important for the Congress to send a strong message South Africa but it is equally important to send a message which has the support of both Houses. In light of the shortness of time remaining in this session and in light of the need to expedite sending this important legislative policy initiative to the President, H.R. 4868, as amended by the Senate, is the most appropriate vehicle at this time.

Let me briefly discuss the resolution contained in the rule, House Resolution 548. During the debate on this matter statements were made that this legislation preempts State and local anti-apartheid laws. The resolution House Resolution 548 simply states that it is not the intent of the House of Representatives that this bill limit or preempt State of local financial or commerical activity respecting South Africa.

Mr. Speaker, I urge adoption of the motion.

Mr. BROOMFIELD. Mr. Speaker, I yield myself such time as I may consume.

(Mr. BROOMFIELD asked and was given permission to revise and extend his remarks, and to include extraneous materials.)

Mr. BROOMFIELD. Mr. Speaker, in the face of a steadily deteriorating situation at home, and an increasingly united opposition abroad, the South African Government continues to cling to the debilitating system of apartheid. Let no one claim that there is confusion on this point: The Congress, the administration, and the American people deplore the system of apartheid and the human toll that lies in its wake.

Today, the House considers whether or not to accept the Senate amendment to H.R. 4868, the Anti-Apartheid Act of 1986. This amendment, of course, is substantially different from the bill passed by the House in late June. I believe it is a better bill than the more extreme legislation passed by the House. However, in my judgment, the House should have appointed conferees to work out the differences in the respective bills with our Senate colleagues. I believe that many constructive changes could have emerged from a conference.

□ 1105

However, the Democrat leadership in the House has apparently chosen to accept in its entirety the Senate bill.

I want to say, Mr. Speaker, in fairness, there are a number of aspects of this bill before us that will, if enacted, do a great deal of good. For example, title II contains provisions earmarking funds for scholarships for the victims of apartheid. It sets forth guidelines for assistance to disadvantaged South Africans. It earmarks funds for the promotion of human rights and takes steps to encourage blacks to use Export Import Bank facilities.

In addition, it does not require disinvestment, but requires U.S. companies to comply with a rigorous set of fair employment principles.

These are positive actions that provide assistance to nonwhite South Africans while maintaining numerous benefits to the black majority associated with the presence of the American business community in that country.

In other titles, the bill clearly sets forth U.S. policy toward South Africa. It calls for negotiations to reach international agreements incorporating sanctions against South Africa. Lastly, it prohibits after 90 days, the enforcement of State and local anti-apartheid laws with respect to contracts funded in whole or in part by the Federal Government.

Mr. Speaker, it seems to me in response to this latter point that our Democrat colleagues included in the rule we just adopted a most unusual and probably unconstitutional provision. Section 2 of the rule provides that upon adoption of H.R. 4868, the House shall be considered to have adopted a House resolution containing a statement of intent of the House regarding the issue of preemption. Mr. Speaker, this is a highly unusual and alarming procedural twist which appears to attempt to reshape the bill passed by the other body without going to conference. The language of the rule appears to try to rewrite our Constitution to allow States and localities to independently conduct their own foreign policies.

I want to conclude by saying it is unfortunate that this unusual procedural situation has developed. It can only jeopardize the bill's acceptance by the President. The White House has notified me this morning that the President is strongly opposed to enactment of this legislation in its present form.

Mr. WOLPE. Mr. Speaker, I yield such time as he may consume to the gentleman from Texas [Mr. LELAND].

(Mr. LELAND asked and was given permission to revise and extend his remarks.)

Mr. LELAND. Mr. Speaker, today we are considering legislation that will put the United States on the legislative record against the continuation of South Africa's brutal and oppressive policy of racism.

Unfortunately, the legislation before us today is not as comprehensive as the legislation passed earlier by this body on June 18, 1986, which would have put an end to all United States investment in and trade with South Africa.

South Africa is the only country in the world that judges how much freedom, justice, or property a person is entitled to strictly on the basis of his or her color. After decades of this racial oppression by the minority government in Pretoria the American public—and many in the world community—has now developed a clear and unequivocal abhorrence to the continuation of apartheid and any action, or inaction, on the part of the United States that could in any way support the maintenance of this hideous and violent policy.

APPENDIX H

STATE OF NORTH CAROLINA
LEGISLATIVE RESEARCH COMMISSION
STATE LEGISLATIVE BUILDING
RALEIGH 27611

October 6, 1986

M E M O R A N D U M:

TO: Members of the LRC Committee on State Investments in South Africa

FROM: Linwood Jones, Committee Counsel

RE: Federal Legislation on South Africa

As you are no doubt aware, Congress recently enacted legislation imposing economic sanctions against the Republic of South Africa. Although this legislation, (H.R. 4868 - "The Comprehensive Anti-Apartheid Act of 1986") was vetoed by the President, the House and Senate overrode the veto last week.

H.R. 4868 imposes the following sanctions against the Republic of South Africa:

Investments:

(1) No new investments allowed in South Africa.

Bank Loans & Deposits:

(2) No loans to companies owned or controlled by the South African government;
(3) U.S. Banks cannot accept or hold deposit accounts of the South African government.

Import Restrictions:

(4) The following goods, with limited exceptions, may not be imported into the United States from South Africa:

(a) kruggerands
(b) arms, ammunition, and military vehicles
(c) agricultural products and minerals produced, maunfactured, or marketed by a government-owned or subsidized company
(d) sugar
(e) iron and steel
(f) textiles
(g) uranium and coal

Export Restrictions:

(5) The following goods and technology, with limited exceptions, may not be exported to South Africa by a United States company or the U.S. government:

(a) nuclear technology
(b) crude oil or refined petroleum
(c) items on the U.S. munitions list
(d) computer goods or technology to or for the use of any South African government agency (esp. military, police, prisons, and national security agencies)

U.S. Government Assistance:

(6) U.S. Government agencies will no longer procure goods and services from the government of South Africa;

(7) Of goods and services procured by the U.S. Government from South African businesses, preference will be given to businesses predominately owned by blacks and other non-whites;

(8) Scholarships and educational aid will be available to victims of apartheid;

(9) U.S. Government will assist in obtaining housing for South African employees of the U.S. government who are victims of apartheid.

Miscellaneous:

(10) South African air carriers denied landing rights in U.S.;
(11) U.S. will encourage, through political and diplomatic channels, the elimination of terrorist activities by working with the African National Congress, Pan African Congress, and South African government;
(12) U.S. companies with more than 25 employees in South Africa will be subject to a Code of Conduct that closely resembles the Sullivan Principles; however, the legislation specifically states that no penalty may be imposed on a corporation for failure to implement or follow this Code of Conduct.

As you were probably aware from media accounts of the sanctions, the federal legislation contains no requirement that companies withdraw from South Africa. Only new investments in South Africa are prohibited.

There was a great deal of discussion in Congress during the final vote on H.R. 4868 whether enactment of the bill would nullify all the state and local anti-apartheid laws. Approximately twenty states and numerous cities have enacted anti-apartheid laws. The most common state legislation requires divestiture of state pension funds or other state funds from companies doing business in South Africa. Of course, we are looking at the divestiture of state pension funds and university trust funds in North Carolina.

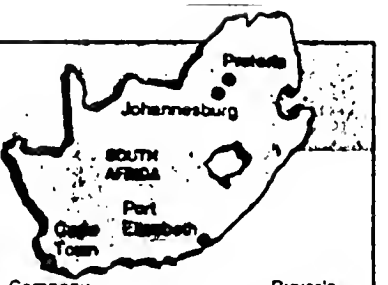
Since the United States Constitution provides that federal laws take precedence over state laws, there is some question whether the states can enact or continue to enforce existing anti-apartheid laws after the passage of the new federal legislation. If the federal legislation is deemed to "preempt" the field on this subject, state legislation on the subject is not valid. It is difficult to say, however, whether Congress has preempted the field on South African sanctions, especially since state divestiture laws do not conflict with any specific provision in the new federal law. (Sen. Lugar of the Senate Foreign Relations Committee is the chief proponent of the notion that the new federal law preempts state and local laws; in response to Lugar's assertion, the House of Representatives, when considering H.R. 4868 for final passage, passed a resolution stating that it was not the intent of the House in passing H.R. 4868 to preempt state and local anti-apartheid laws.)

If you have any questions, please feel free to contact me.

APPENDIX I

Out of South Africa

These U.S. companies have divested or will totally divest their South African holdings this year.



Company selling out	Buyer's nationality	Company selling out	Buyer's nationality
Applied Power	Liechtenstein	General Motors	N/A
Ashland Oil	Netherlands	General Signal	South Africa
Ashland Oil*	Japan	IBM	N/A
Baxter Travenol	South Africa	MacMillan	South Africa
Bell & Howell	South Africa	Manpower*	Britain
CBS	South Africa	Pennwalt	South Africa
Cooper Industries	South Africa	Phillips Petroleum	W. Germany
Delaware North	South Africa	Rohm & Hass	South Africa
Eaton	South Africa	Scovill**	U.S.
Fairchild Industries	U.S.	W.R. Stamler	Liquidated
GTE	South Africa	Stanley Works	South Africa
General Electric	South Africa	VF Corporation	South Africa

In addition, Coca-Cola, Diamond Shamrock, Marriott, Procter & Gamble and SPS Technology have indicated their intention to divest.

* Part of worldwide divestiture

** Portions sold to Parker-Hannifin and to Arvin Industries

Source: Investor Responsibility Research Center

This list was published in October. Since that time, several other companies, including Eastman Kodak and Barclays Bank, have withdrawn from South Africa.

APPENDIX J

SOUTH AFRICAN HOMELANDS

1984 Martin Greenwald Associates, Inc